

AMENDED IN ASSEMBLY AUGUST 22, 2006

AMENDED IN ASSEMBLY JUNE 14, 2006

SENATE BILL

No. 1466

**Introduced by Committee on Public Employment and Retirement
(Senators Soto (Chair), Alarcon, Ashburn, Dunn, and
Hollingsworth)**

February 23, 2006

An act to amend Sections 22007.5, 22105.5, 22115.2, 22123, 22123.5, 22134, 22134.5, 22303, 22309, 22655, 22657, 22660, 22664, 22703, 22801, 22823, 22826, 23004, 23300, 23805, 23855, 24201, 24202.5, 24203.6, 24205, 24209, 24209.3, 24211, 24214, 24221, 24300, 24300.6, 24301, 24302, 24303, 24305, 24305.3, 24305.5, 24306, 24306.7, 24307, 24309, 24402, 24703, 24704, 24705, 24976, 25009, 25011, 25012, 25015, 25016, 25018, 25021, 25024, 26000.5, 26002.5, 26113, 26116, 26137, 26214, 26301, 26400, 26401, 26807, 26811, 26906, 26910, 27004, 27405, 27408, 27410, 27411, and 44922 ~~of and~~, *of, and* to add Sections 24300.1, 24300.2, 24312.1, 25011.1, 25011.5, 25018.1, 25018.2, 26807.5, 26807.6, 26906.5, and 26906.6 to, the Education Code, and to amend Section 22009.1 of the Government Code, relating to state teachers' retirement, *and making an appropriation therefor.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1466, as amended, Committee on Public Employment and Retirement. State Teachers' Retirement System: benefits.

(1) The State Teachers' Retirement Law permits a member or participant of the Defined Benefit Plan, the Defined Benefit Supplement Program, and the Cash Balance Benefit Program, to elect from among several forms of retirement benefit and annuity payments.

That law prohibits the member, if he or she elects a joint and survivor annuity and retires, from changing his or her beneficiary unless the beneficiary is the spouse or domestic partner of the member or participant and a judgment of dissolution, legal separation, or nullity is entered. That law further permits the member or participant, after that judgment is entered, to elect a new annuity beneficiary and, if that new beneficiary predeceases the member or participant, the member or participant may further change his or her beneficiary. That law further prohibits a member of the Defined Benefit Supplement Program from further changing his or her beneficiary if the member elects a modified retirement allowance with a “pop-up” feature, as specified. *Existing law establishes the Teachers’ Deferred Compensation Fund, a continuously appropriated fund, as a repository for funds received by the Teachers’ Retirement System pursuant to administering funds received in administering specified deferred compensation plans. Existing law requires the Teachers’ Retirement Board to establish a vendor registration process for the purposes of providing information about tax-deferred retirement investment products.*

This bill would delete that restriction for the member of the Defined Benefit Supplement Program who elects a modified retirement allowance with a “pop-up” feature and permit that member, if he or she is otherwise eligible, to change his or her beneficiary.

This bill would further revise and recast those provisions of the Defined Benefit Plan, the Defined Benefit Supplement Program, and the Cash Balance Benefit Program for a member or participant who retires on or after January 1, 2007, who elects a joint and survivor annuity, subject to specified restrictions.

This bill would prohibit a member from designating a beneficiary who is a specified number of years younger than the member.

This bill would further permit a retired member or participant to elect a new benefit, subject to specified restrictions. This bill would require a member or participant who elects a new benefit to declare under penalty of perjury that his or her beneficiary is not afflicted with a known terminal illness. By creating a new crime, this bill would impose a state-mandated local program.

This bill would provide that premium and fee revenues and compensation deferrals from specified annuity and custodial accounts and from the vendor registration process described above, be deposited into trust accounts in the Teachers’ Deferred Compensation

Fund. By depositing additional fee revenues into a continuously appropriated fund, this bill would make an appropriation.

(2) Under that law, the Cash Balance Benefit Program provides a retirement plan for persons who perform creditable service, as defined. Existing law permits a person who performs trustee service for an employer, if that employer elects to provide benefits under the Cash Balance Benefit Program, to elect to participate in that program for his or her trustee service.

This bill would additionally define creditable service under the Cash Balance Benefit Program as trustee service for an employer.

(3) That law requires an employer to report all other information required by the retirement system to provide benefits under the Cash Balance Benefit Program.

This bill would clarify that an employer shall retain a copy of and mail the original election form of an employee participating in that program to the retirement system.

(4) That law requires a county superintendent of schools or an employing agency, and permits a school district or community college district to submit a monthly report that includes information the board of the State Teachers' Retirement System requires to administer that retirement system. That law also requires an employer to report contributions paid on behalf of each participant in the Cash Balance Benefit Program.

This bill would require an employer, a county superintendent of schools, an employing agency, and a school district or community college district to submit that monthly report or contribution report electronically in an encrypted format that ensures the security of the transmitted member data. *The bill would also permit penalty to be assessed for reports that are submitted late or in an unacceptable form.*

(5) That law permits a member who has retired to reinstate from retirement and earn additional service credit. That law requires the State Teachers' Retirement System to calculate the member's benefit based on the retirement allowance the member was receiving prior to retirement and the service credit and compensation earnable by the member after he or she reinstated from retirement for purpose of calculating his or her subsequent retirement.

This bill would prohibit a member who was employed by a community college prior to July 1, 1996, who reinstates from retirement from using the compensation earnable he or she earned

prior to July 1, 1996, for purposes of calculating his or her subsequent retirement.

(6) That law requires the board of the State Teachers’ Retirement System to issue an annual statement to members of the Defined Benefit Program and the Defined Benefit Supplement Program. That law requires the board of the State Teachers’ Retirement System to issue a statement to each participant of the Cash Balance Benefit Program.

This bill would permit the board to issue that statement to the member or participant by secured access through the Web site of the State Teachers’ Retirement System, as specified.

(7) That law permits a member of the Defined Benefit Plan to elect to purchase additional service credit, nonqualified service credit, and out-of-state service credit if specified contributions are paid to the State Teachers’ Retirement System.

This bill would, if a member fails to make a payment within 120 days of the due date, require the board of the State Teachers’ Retirement System to cancel the election to purchase that additional service credit, nonqualified service credit, and out-of-state service credit, as specified.

(8) The bill would also make various technical and clarifying changes to the Teachers’ Retirement Law.

(9) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: ~~no~~-yes. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 22007.5 of the Education Code is
 2 amended to read:
 3 22007.5. Except as excluded by subdivision (d) of Sections
 4 22661 and 23812, subdivision (c) of Section 24300.1, and
 5 subdivision (d) of Sections 25011.1, 25018.1, and 26807.5, a
 6 person who is the registered domestic partner of a member, as
 7 established pursuant to Section 297 or 299.2 of the Family Code,

1 shall be treated in the same manner as a “spouse,” as defined in
2 Section 22171.

3 SEC. 2. Section 22105.5 of the Education Code is amended to
4 read:

5 22105.5. “Annuity beneficiary” means the person or persons
6 designated by a member pursuant to Section 25011, 25011.1,
7 25018, or 25018.1 to receive an annuity under the Defined
8 Benefit Supplement Program upon the member’s death.

9 SEC. 3. Section 22115.2 of the Education Code is amended to
10 read:

11 22115.2. “Concurrent membership” means membership in the
12 Defined Benefit Program by an individual who is credited with
13 service that is not used as a basis for benefits under any other
14 public retirement system and is also a member of the California
15 Public Employees’ Retirement System, the Legislators’
16 Retirement System, the University of California Retirement
17 System, county retirement systems established under Chapter 3
18 (commencing with Section 31450) of Part 3 of Division 4 of Title
19 3 of the Government Code, or the San Francisco Employees’
20 Retirement System. A member with concurrent membership shall
21 have the right to the following:

22 (a) Have final compensation determined pursuant to
23 subdivision (c) of Section 22134 or subdivision (c) of Section
24 22134.5.

25 (b) Redeposit accumulated retirement contributions pursuant
26 to Section 23201.

27 (c) Apply for retirement pursuant to paragraph (2) of
28 subdivision (a) of Section 24201.

29 SEC. 4. Section 22123 of the Education Code is amended to
30 read:

31 22123. (a) “Dependent child” or “dependent children” under
32 the disability allowance and family allowance programs means a
33 member’s unmarried offspring or stepchild who is under 22 years
34 of age and who is financially dependent upon the member on the
35 effective date of the member’s disability allowance or the date of
36 the member’s death.

37 (b) “Offspring” shall include the member’s child who is born
38 within the 10-month period commencing on the earlier of the
39 member’s disability allowance effective date or the date of the
40 member’s death.

1 (c) “Offspring” shall include a child adopted by the member.

2 (d) “Dependent child” shall not include the member’s
3 offspring or stepchild who is adopted by a person other than the
4 member’s spouse.

5 (e) “Dependent child” under the family allowance program
6 shall not include:

7 (1) The member’s offspring or stepchild who was financially
8 dependent on the member on the date of the member’s death if a
9 disability allowance was payable to the member prior to his or
10 her death and the disability allowance did not include an amount
11 payable for that offspring or stepchild.

12 (2) A stepchild or adopted child acquired subsequent to the
13 death of the member.

14 (f) “Financially dependent” for purposes of this section means
15 that at least one-half of the child’s support was being provided by
16 the member on the member’s disability allowance effective date
17 or the date of the member’s death. The system may require that
18 income tax records or other data be submitted to substantiate the
19 child’s financial dependence. In the absence of substantiating
20 documentation, the system may determine that the child was not
21 dependent on the effective date of the member’s disability
22 allowance or the date of the member’s death.

23 (g) “Member” as used in this section shall have the same
24 meaning specified in Section 23800.

25 SEC. 5. Section 22123.5 of the Education Code is amended to
26 read:

27 22123.5. (a) “Dependent child” or “dependent children”
28 under the disability retirement and survivor benefit allowance
29 programs means a member’s offspring or stepchild who is under
30 21 years of age and who is financially dependent upon the
31 member on the effective date of the member’s disability
32 retirement or the date of the member’s death.

33 (b) “Offspring” shall include the member’s child who is born
34 within the 10-month period commencing on the earlier of the
35 member’s disability retirement effective date or the date of the
36 member’s death.

37 (c) “Offspring” shall include a child adopted by the member.

38 (d) “Dependent child” shall not include the member’s
39 offspring or stepchild who is adopted by a person other than the
40 member’s spouse.

1 (e) “Dependent child” under the survivor benefit allowance
2 program shall not include a stepchild or adopted child acquired
3 subsequent to the death of the member.

4 (f) “Financially dependent” for purposes of this section means
5 that at least one-half of the child’s support was being provided by
6 the member on the member’s disability retirement effective date
7 or the date of the member’s death. The system may require that
8 income tax records or other data be submitted to substantiate the
9 child’s financial dependence. In the absence of substantiating
10 documentation, the system may determine that the child was not
11 dependent on the effective date of the member’s disability
12 retirement or the date of the member’s death.

13 (g) “Member” as used in this section shall have the same
14 meaning specified in Section 23850.

15 SEC. 6. Section 22134 of the Education Code is amended to
16 read:

17 22134. (a) “Final compensation” means the highest average
18 annual compensation earnable by a member during any period of
19 three consecutive school years while an active member of the
20 Defined Benefit Program or time during which he or she was not
21 a member but for which the member has received credit under
22 the Defined Benefit Program, except time that was so credited for
23 service performed outside this state prior to July 1, 1944.

24 (b) For purposes of this section, periods of service separated
25 by breaks in service may be aggregated to constitute a period of
26 three consecutive years, if the periods of service are consecutive
27 except for the breaks.

28 (c) The determination of final compensation of a member who
29 has concurrent membership in any other retirement system
30 pursuant to Section 22115.2 shall take into consideration the
31 compensation earnable while a member of any other system,
32 provided that both of the following exist:

33 (1) Service under any other system was not performed during
34 the same pay period with service under the Defined Benefit
35 Program.

36 (2) Retirement under the Defined Benefit Program is
37 concurrent with the member’s retirement under any other system.

38 (d) The compensation earnable for the first position in which
39 California service was credited shall be used when additional
40 compensation earnable is required to accumulate three

1 consecutive years for the purpose of determining final
2 compensation under Section 23805.

3 (e) If a member has received service credit for part-time
4 service performed prior to July 1, 1956, the member's final
5 compensation shall be adjusted for that service in excess of one
6 year by the ratio that part-time service bears to full-time service.

7 (f) The board may specify a different final compensation with
8 respect to disability allowances, disability retirement allowances,
9 family allowances, and children's portions of survivor benefit
10 allowances payable on and after January 1, 1978. The
11 compensation earnable for periods of part-time service shall be
12 adjusted by the ratio that part-time service bears to full-time
13 service.

14 (g) The amendment of former Section 22127 made by Chapter
15 782 of the Statutes of 1982 does not constitute a change in, but is
16 declaratory of, the existing law.

17 SEC. 7. Section 22134.5 of the Education Code is amended to
18 read:

19 22134.5. (a) Notwithstanding Section 22134, "final
20 compensation" means the highest average annual compensation
21 earnable by a member during any period of 12 consecutive
22 months while an active member of the Defined Benefit Program
23 or time during which he or she was not a member but for which
24 the member has received credit under the Defined Benefit
25 Program, except time that was so credited for service performed
26 outside this state prior to July 1, 1944.

27 (b) For purposes of this section, periods of service separated
28 by breaks in service may be aggregated to constitute a period of
29 12 consecutive months, if the periods of service are consecutive
30 except for the breaks.

31 (c) The determination of final compensation of a member who
32 has concurrent membership in any other retirement system
33 pursuant to Section 22115.2 shall take into consideration the
34 compensation earnable while a member of any other system,
35 provided that ~~all~~ *both* of the following exist:

36 (1) Service under any other system was not performed during
37 the same pay period with service under the Defined Benefit
38 Program.

39 (2) Retirement under the Defined Benefit Program is
40 concurrent with the member's retirement under any other system.

1 (d) If a member has received service credit for part-time
2 service performed prior to July 1, 1956, the member's final
3 compensation shall be adjusted for that service in excess of one
4 year by the ratio that part-time service bears to full-time service.

5 (e) The board may specify a different final compensation with
6 respect to disability allowances, disability retirement allowances,
7 family allowances, and children's portions of survivor benefit
8 allowances payable on and after January 1, 1978. The
9 compensation earnable for periods of part-time service shall be
10 adjusted by the ratio that part-time service bears to full-time
11 service.

12 (f) This section shall apply to the following:

13 (1) A member who has 25 or more years of credited service,
14 excluding service credited pursuant to the following:

15 (A) Section 22714.

16 (B) Section 22714.5.

17 (C) Section 22715.

18 (D) Section 22717, except as provided in subdivision (b) of
19 Section 22121.

20 (E) Section 22826.

21 (2) A nonmember spouse, if the member had 25 or more years
22 of credited service, as calculated in paragraph (1), on the date the
23 parties separated, as established in the judgment or court order
24 pursuant to Section 22652.

25 *SEC. 7.5. Section 22303 of the Education Code is amended to*
26 *read:*

27 22303. (a) Due to an increase in the demand for retirement
28 counseling services, the system, notwithstanding any other
29 provision of law, may contract with a county superintendent or
30 other employer to provide retirement counseling. Retired public
31 employees may be employed on a part-time basis for that
32 purpose, unless and until the study required by subdivision (b) of
33 Section 7 of Chapter 1532 of the Statutes of 1985 recommends
34 against the employment of retired public employees for these
35 purposes. This authorization is subject to the availability of funds
36 appropriated for that purpose in the annual Budget Act.

37 (b) *The board may, by resolution, designate one or more*
38 *official contracted offices that provide retirement counseling*
39 *pursuant to subdivision (a) to receive documents submitted*
40 *pursuant to this part, Part 13.5 (commencing with Section*

1 25900) or Part 14 (commencing with Section 26000).
2 Notwithstanding any other provision of law, any document
3 received by an official contracted office designated by the board
4 pursuant to this subdivision during the office's regular business
5 hours shall be deemed to have been received by the system's
6 headquarters office, as established pursuant to Section 22375, on
7 the date received by the designated official contracted office.

8 SEC. 8. Section 22309 of the Education Code is amended to
9 read:

10 22309. (a) The board shall issue to each active and inactive
11 member, no less frequently than annually after the close of the
12 school year, a statement of the member's individual Defined
13 Benefit Program and Defined Benefit Supplement accounts,
14 provided the employer or member has informed the system of the
15 member's current United States Postal Service mailing address.
16 If the member indicates that he or she prefers to receive that
17 annual statement through the Web site of the system, the board
18 may, in lieu of mailing, issue the annual statement by secured
19 access through the Web site of the system.

20 (b) The board shall periodically make a good faith effort to
21 locate inactive members to provide these members with
22 information concerning any benefit for which they may be
23 eligible.

24 SEC. 9. Section 22655 of the Education Code is amended to
25 read:

26 22655. (a) Upon the legal separation or dissolution of
27 marriage of a retired member, the court may include in the
28 judgment or court order a determination of the community
29 property rights of the parties in the retired member's retirement
30 allowance and, if applicable, retirement benefit under this part
31 consistent with this section. Upon election under subparagraph
32 (B) of paragraph (3) of subdivision (a) of Section 2610 of the
33 Family Code, the court order awarding the nonmember spouse a
34 community property share in the retirement allowance or
35 retirement benefit, or both, of a retired member shall be
36 consistent with this section.

37 (b) If the court does not award the entire retirement allowance
38 or retirement benefit under this part to the retired member and the
39 retired member is receiving a retirement allowance that has not
40 been modified pursuant to Section 24300 or 24300.1, a single life

1 annuity pursuant to Section 25011 or 25018, or a member only
2 annuity described in paragraph (1) of subdivision (a) of Sections
3 25011.1 and 25018.1, the court shall require only that the system
4 pay the nonmember spouse, by separate warrant, his or her
5 community property share of the retired member's retirement
6 allowance or retirement benefit, or both, under this part.

7 (c) If the court does not award the entire retirement allowance
8 or retirement benefit under this part to the retired member and the
9 retired member is receiving an allowance that has been
10 actuarially modified pursuant to Section 24300 or 24300.1, or a
11 joint and survivor annuity pursuant to Section 25011, 25011.1,
12 25018, or 25018.1, the court shall order only one of the
13 following:

14 (1) The retired member shall maintain the retirement
15 allowance or joint and survivor annuity, or both, under this part
16 without change.

17 (2) The retired member shall cancel the option that modified
18 the retirement allowance under this part pursuant to Section
19 24305 and ~~select~~ *elect* a new joint and survivor option or
20 *designate* a new beneficiary or both, and the system shall pay the
21 nonmember spouse, by separate warrant, his or her community
22 property share of the retirement allowance ~~under this part of~~
23 *payable to* the retired member, the option beneficiary, or both.

24 (3) The retired member shall cancel the joint and survivor
25 annuity under which the retirement benefit is being paid pursuant
26 to Section 24305.3, and ~~select~~ *elect* a new joint and survivor
27 annuity or *designate* a new annuity beneficiary or both, based on
28 the actuarial equivalent of the member's canceled annuity, and
29 the system shall pay the nonmember spouse, by separate warrant,
30 his or her community property share of the retirement benefit
31 payable to the retired member, the annuity beneficiary, or both.

32 (4) The retired member shall take the action specified in both
33 paragraphs (2) and (3).

34 (5) The retired member shall cancel the option that modified
35 the retirement allowance under this part pursuant to Section
36 24305 and elect an unmodified retirement allowance and the
37 system shall pay the nonmember spouse, by separate warrant, his
38 or her community property share of the retired member's
39 retirement allowance under this part.

1 (6) The retired member shall cancel, pursuant to Section
2 24305.3, the joint and survivor annuity under which the
3 retirement benefit is being paid, and ~~select~~ *elect* a single life
4 annuity, and the system shall pay the nonmember spouse, by
5 separate warrant, his or her community property share of the
6 retirement benefit payable to the retired member.

7 (7) The retired member shall take the action specified in both
8 paragraphs (5) and (6).

9 (d) If the option beneficiary or annuity beneficiary or both
10 under this part, other than the nonmember spouse, predeceases
11 the retired member, the court shall order the retired member to
12 designate a new option beneficiary pursuant to Section 24306, or
13 a new annuity beneficiary pursuant to Section 24305.3 and shall
14 order the system to pay the nonmember spouse, by separate
15 warrant, his or her share of the community property interest in
16 the retirement allowance or retirement benefit ~~or both under this~~
17 ~~part of~~ *payable to* the retired member or the new option
18 beneficiary or annuity beneficiary or each of them.

19 (e) The right of the nonmember spouse to receive his or her
20 community property share of the retired member's retirement
21 allowance or retirement benefit or both under this section shall
22 terminate upon the death of the nonmember spouse. However,
23 the nonmember spouse may designate a beneficiary under the
24 Defined Benefit Program and a payee under the Defined Benefit
25 Supplement Program to receive his or her community property
26 share of the retired member's accumulated retirement
27 contributions and accumulated Defined Benefit Supplement
28 account balance under this part in the event that there are
29 remaining accumulated retirement contributions and a balance of
30 credits in the member's Defined Benefit Supplement account to
31 be paid upon the death of the nonmember spouse.

32 SEC. 10. Section 22657 of the Education Code is amended to
33 read:

34 22657. (a) The following provisions shall apply to a
35 nonmember spouse as if he or she were a member under this part:
36 Sections 22107, 22306, 22906, and 23802, subdivisions (a) and
37 (b) of Section 24600, and Sections 24601, 24602, 24603, 24605,
38 24606, 24607, 24608, 24611, 24612, 24613, 24616, 24617,
39 25009, 25010, 25011, 25011.1, 25013, 25020, 25021, and 25022.

1 (b) Notwithstanding subdivision (a), this section shall not be
2 construed to establish any right for the nonmember spouse under
3 this part that is not explicitly established in Sections 22650 to
4 22655, inclusive, and Sections 22658 to 22665, inclusive.

5 SEC. 11. Section 22660 of the Education Code is amended to
6 read:

7 22660. (a) The nonmember spouse who is awarded a
8 separate account under this part shall have the right to designate,
9 pursuant to Sections 23300 to 23304, inclusive, a beneficiary or
10 beneficiaries to receive the accumulated retirement contributions
11 under the Defined Benefit Program and to designate a payee to
12 receive the accumulated Defined Benefit Supplement account
13 balance under the Defined Benefit Supplement Program
14 remaining in the separate account of the nonmember spouse on
15 his or her date of death, and any accrued allowance or accrued
16 benefit under the Defined Benefit Supplement Program that is
17 attributable to the separate account of the nonmember spouse and
18 that is unpaid on the date of the death of the nonmember spouse.

19 (b) This section shall not be construed to provide the
20 nonmember spouse with any right to elect to modify a retirement
21 allowance under Section 24300 or 24300.1, or to elect a joint and
22 survivor annuity under the Defined Benefit Supplement Program.

23 SEC. 12. Section 22664 of the Education Code is amended to
24 read:

25 22664. The nonmember spouse who is awarded a separate
26 account shall have the right to a service retirement allowance
27 and, if applicable, a retirement benefit under this part.

28 (a) The nonmember spouse shall be eligible to retire for
29 service under this part if the following conditions are satisfied:

30 (1) The member had at least five years of credited service
31 during the period of marriage, at least one year of which had
32 been performed subsequent to the most recent refund to the
33 member of accumulated retirement contributions. The credited
34 service may include service credited to the account of the
35 member as of the date of the dissolution or legal separation,
36 previously refunded service, out-of-state service, and permissive
37 service credit that the member is eligible to purchase at the time
38 of the dissolution or legal separation.

39 (2) The nonmember spouse has at least 2½ years of credited
40 service in his or her separate account.

1 (3) The nonmember spouse has attained 55 years of age or
2 more.

3 (b) A service retirement allowance of a nonmember spouse
4 under this part shall become effective upon a date designated by
5 the nonmember spouse, provided:

6 (1) The requirements of subdivision (a) are satisfied.

7 (2) The nonmember spouse has filed an application for service
8 retirement on a properly executed form provided by the system,
9 that is executed no earlier than six months before the effective
10 date of the retirement allowance.

11 (3) The effective date is no earlier than the first day of the
12 month that the application is received at the system's
13 headquarters office as described in Section 22375, and the
14 effective date is after the date the judgment or court order
15 pursuant to Section 22652 was entered.

16 (c) (1) Upon service retirement at normal retirement age
17 under this part, the nonmember spouse shall receive a retirement
18 allowance that shall consist of an annual allowance payable in
19 monthly installments equal to 2 percent of final compensation for
20 each year of credited service.

21 (2) If the nonmember spouse's retirement is effective at less
22 than normal retirement age and between early retirement age
23 under this part and normal retirement age, the retirement
24 allowance shall be reduced by one-half of 1 percent for each full
25 month, or fraction of a month, that will elapse until the
26 nonmember spouse would have reached normal retirement age.

27 (3) If the nonmember spouse's service retirement is effective
28 at an age greater than normal retirement age and is effective on
29 or after January 1, 1999, the percentage of final compensation for
30 each year of credited service shall be determined pursuant to the
31 following table:

Age at Retirement	Percentage
32	
33	
34 60 1/4	2.033
35 60 1/2	2.067
36 60 3/4.....	2.10
37 61	2.133
38 61 1/4.....	2.167
39 61 1/2.....	2.20
40 61 3/4.....	2.233

Age at Retirement	Percentage
62	2.267
62 ¼.....	2.30
62 ½.....	2.333
62 ¾.....	2.367
63 and over	2.40

7
8 (4) In computing the retirement allowance of the nonmember
9 spouse, the age of the nonmember spouse on the last day of the
10 month that the retirement allowance begins to accrue shall be
11 used.

12 (5) Final compensation, for purposes of calculating the service
13 retirement allowance of the nonmember spouse under this
14 subdivision, shall be calculated according to the definition of
15 final compensation in Section 22134, 22134.5, 22135, or 22136,
16 whichever is applicable, and shall be based on the member's
17 compensation earnable up to the date the parties separated, as
18 established in the judgment or court order pursuant to Section
19 22652. The nonmember spouse shall not be entitled to use any
20 other calculation of final compensation.

21 (d) Upon service retirement under this part, the nonmember
22 spouse shall receive a retirement benefit based on an amount
23 equal to the balance of credits in the nonmember spouse's
24 Defined Benefit Supplement account on the date the retirement
25 benefit becomes payable.

26 (1) A retirement benefit shall be a lump-sum payment, or an
27 annuity payable in monthly installments, or a combination of
28 both a lump-sum payment and an annuity, as elected by the
29 nonmember spouse on the application for a retirement benefit. A
30 retirement benefit paid as an annuity under this chapter shall be
31 subject to Sections 22660, 25011, and 25011.1.

32 (2) Upon distribution of the entire retirement benefit in a
33 lump-sum payment, no other benefit shall be payable to the
34 nonmember spouse or the nonmember spouse's beneficiary under
35 the Defined Benefit Supplement Program.

36 (e) If the member is or was receiving a disability allowance
37 under this part with an effective date before or on the date the
38 parties separated as established in the judgment or court order
39 pursuant to Section 22652, or at any time applies for and receives
40 a disability allowance with an effective date that is before or

1 coincides with the date the parties separated as established in the
2 judgment or court order pursuant to Section 22652, the
3 nonmember spouse shall not be eligible to retire until after the
4 disability allowance of the member terminates. If the member
5 who is or was receiving a disability allowance returns to
6 employment to perform creditable service subject to coverage
7 under the Defined Benefit Program or has his or her allowance
8 terminated under Section 24015, the nonmember spouse may not
9 be paid a retirement allowance until at least six months after
10 termination of the disability allowance and the return of the
11 member to employment to perform creditable service subject to
12 coverage under the Defined Benefit Program, or the termination
13 of the disability allowance and the employment or
14 self-employment of the member in any capacity, notwithstanding
15 Section 22132. If at the end of the six-month period, the member
16 has not had a recurrence of the original disability or has not had
17 his or her earnings fall below the amounts described in Section
18 24015, the nonmember spouse may be paid a retirement
19 allowance if all other eligibility requirements are met.

20 (1) The retirement allowance of the nonmember spouse under
21 this subdivision shall be calculated as follows: the disability
22 allowance the member was receiving, exclusive of the portion for
23 dependent children, shall be divided between the share of the
24 member and the share of the nonmember spouse. The share of
25 the nonmember spouse shall be the amount obtained by
26 multiplying the disability allowance, exclusive of the portion for
27 dependent children, by the years of service credited to the
28 separate account of the nonmember spouse, including service
29 projected to the date of separation, and dividing by the projected
30 service of the member. The nonmember spouse's retirement
31 allowance shall be the lesser of the share of the nonmember
32 spouse under this subdivision or the retirement allowance under
33 subdivision (c).

34 (2) The share of the member shall be the total disability
35 allowance reduced by the share of the nonmember spouse. The
36 share of the member shall be considered the disability allowance
37 of the member for purposes of Section 24213.

38 (f) The nonmember spouse who receives a retirement
39 allowance is not a retired member under this part. However, the
40 allowance of the nonmember spouse shall be increased by

1 application of the improvement factor and shall be eligible for
2 the application of supplemental increases and other benefit
3 maintenance provisions under this part, including, but not limited
4 to, Sections 24411, 24412, and 24415 based on the same criteria
5 used for the application of these benefit maintenance increases to
6 the service retirement allowances of members.

7 SEC. 13. Section 22703 of the Education Code is amended to
8 read:

9 22703. (a) Service shall be credited to the Defined Benefit
10 Program, except as provided in subdivision (b).

11 (b) A member's creditable service that exceeds 1.000 in a
12 school year shall not be credited to the Defined Benefit Program.
13 Commencing July 1, 2002, contributions by the employer and the
14 member that are deposited in the Teachers' Retirement Fund for
15 creditable compensation paid to the member for service that
16 exceeds 1.000 in a school year, exclusive of contributions
17 pursuant to Section 22951, shall be credited to the Defined
18 Benefit Supplement Program.

19 (c) In lieu of any other benefits provided by this part, any
20 member who performed service prior to July 1, 1956, shall
21 receive retirement benefits for that service at least equal to the
22 benefits that the member would have received for that service
23 under the provisions of this part as they existed on June 30, 1956.
24 This subdivision shall not apply to service that is credited in the
25 San Francisco Employees' Retirement System.

26 (d) The amendments to this section made during the second
27 year of the 1999–2000 Regular Session shall become operative
28 on July 1, 2002, if the revenue limit cost-of-living adjustment
29 computed by the Superintendent of Public Instruction for the
30 2001–02 fiscal year is equal to or greater than 3.5 percent.
31 Otherwise the amendments to this section made during the
32 second year of the 1999–2000 Regular Session shall become
33 operative on July 1, 2003.

34 SEC. 14. Section 22801 of the Education Code is amended to
35 read:

36 22801. (a) A member who elects to receive additional service
37 credit as provided in this chapter shall pay, prior to retirement, all
38 contributions with respect to that service at the contribution rate
39 for additional service credit, adopted by the board as a plan
40 amendment, in effect at the time of election. If the system is

1 unable to inform the member or beneficiary of the amount
2 required to purchase additional service credit prior to the
3 effective date of the applicable allowance, the member or
4 beneficiary may make the required payment within 30 working
5 days after the date of mailing of the statement of contributions
6 and interest required or the effective date of the appropriate
7 allowance, whichever is later. The payment shall be paid in full
8 before a member or beneficiary receives any adjustment in the
9 appropriate allowance due because of that payment.
10 Contributions shall be made in a lump sum, or in not more than
11 120 monthly installments, not to exceed ten years. No
12 installment, except the final installment, shall be less than
13 twenty-five dollars (\$25).

14 (b) If the member is employed to perform creditable service
15 subject to coverage by the Defined Benefit Program at the time
16 of the election, the contributions shall be based upon the
17 compensation earnable in the current school year or either of the
18 two immediately preceding school years, whichever is highest.

19 (c) If the member is not employed to perform creditable
20 service subject to coverage by the Defined Benefit Program at
21 the time of the election, the contributions shall be based upon the
22 compensation earnable in the last school year of credited service
23 or either of the two immediately preceding school years,
24 whichever is highest.

25 (d) The employer may pay the amount required as employer
26 contributions for additional service credited under paragraphs
27 (2), (6), (7), (8), and (9) of subdivision (a) of Section 22803.

28 (e) The Public Employees' Retirement System shall transfer
29 the actuarial present value of the assets of a person who makes an
30 election pursuant to paragraph (10) of subdivision (a) of Section
31 22803.

32 (f) Regular interest shall be charged on all contributions from
33 the end of the school year on which the contributions were based
34 to the date of payment.

35 (g) Regular interest shall be charged on the monthly unpaid
36 balance if the member pays in installments. Regular interest may
37 not be charged or be payable for the period of a delay caused by
38 the system's inability or failure to determine and inform the
39 member or beneficiary of the amount of contributions and
40 interest that is payable. The period of delay shall commence on

1 the 20th day following the day on which the member or
2 beneficiary who wishes to make payment evidences in writing to
3 the system that he or she is ready, willing, and able to make
4 payment to the system. The period of delay shall cease on the
5 first day of the month following the mailing of notification of
6 contributions and interest payable.

7 (h) If the payment described in subdivision (a) is not received
8 at the system's headquarters office, as described in Section
9 22375, within 120 days of the due date, the election pursuant to
10 this section shall be canceled. The member shall receive credit
11 for additional service based on the payments that were made or
12 the member may request a return of his or her payments.

13 (i) If the election to purchase additional service credit is
14 canceled as described in subdivision (h), the member may, prior
15 to the effective date of his or her retirement, elect to purchase
16 additional service credit pursuant to this section.

17 SEC. 15. Section 22823 of the Education Code is amended to
18 read:

19 22823. (a) A member who elects to receive credit for
20 out-of-state service as provided in this chapter shall pay, prior to
21 retirement, all contributions with respect to that service at the
22 contribution rate for additional service credit adopted by the
23 board as a plan amendment, in effect at the time of election.

24 (b) (1) Any payment that a member may make to the system
25 to obtain credit for out-of-state service pursuant to this chapter
26 shall be paid in full prior to the effective date of a family,
27 survivor, disability, or retirement allowance.

28 (2) If the system is unable to inform the member or
29 beneficiary of the amount required to purchase out-of-state
30 service prior to the effective date of the applicable allowance, the
31 member or beneficiary may make payment in full within 30
32 working days after the date of mailing of the statement of
33 contributions and interest required or the effective date of the
34 appropriate allowance, whichever is later. The payment shall be
35 paid in full before a member or beneficiary may receive any
36 adjustment in the appropriate allowance due because of that
37 payment.

38 (c) Contributions for out-of-state service credit shall be made
39 in a lump sum, or in not more than 120 monthly installments, not

1 to exceed ten years. No installment, except the final installment,
2 shall be less than twenty-five dollars (\$25).

3 (d) Regular interest shall be charged on the monthly unpaid
4 balance if the member makes installment payments.

5 (e) If the payment described in subdivision (a) is not received
6 at the system's headquarters office, as described in Section
7 22375, within 120 days of the due date, the election pursuant to
8 this section shall be canceled. The member shall receive credit
9 for out-of-state service based on the payments that were made or
10 the member may request a return of his or her payments.

11 (f) If the election to purchase out-of-state service is canceled
12 as described in subdivision (e), the member may, prior to the
13 effective date of his or her retirement, elect to purchase
14 out-of-state service pursuant to this section.

15 SEC. 16. Section 22826 of the Education Code is amended to
16 read:

17 22826. (a) A member may elect to receive up to five years of
18 credit for nonqualified service provided the member is vested in
19 the Defined Benefit Program as provided in Section 22156.

20 (b) A member who elects to receive credit for nonqualified
21 service as provided in this chapter shall contribute to the
22 retirement fund the actuarial cost of the service, including
23 interest as appropriate, as determined by the board based on the
24 most recent valuation of the plan with respect to the Defined
25 Benefit Program.

26 (1) Payment that a member may make to the system to obtain
27 credit for nonqualified service shall be paid in full prior to the
28 effective date of a family, survivor, disability, or retirement
29 allowance.

30 (2) If the system is unable to inform the member of the amount
31 required to purchase nonqualified service prior to the effective
32 date of the applicable allowance, the member may make payment
33 in full within 30 working days after the date of mailing of the
34 statement of contributions and interest required or the effective
35 date of the appropriate allowance, whichever is later.

36 (c) Contributions for nonqualified service credit shall be made
37 in a lump sum or in not more than 120 monthly installments, not
38 to exceed ten years. No installment, except the final installment,
39 shall be less than twenty-five dollars (\$25).

1 (d) Regular interest shall be charged on the monthly unpaid
2 balance if the member makes installment payments.

3 (e) If the payment described in subdivision (a) is not received
4 at the system's headquarters office, as described in Section
5 22375, within 120 days of the due date, the election pursuant to
6 this section shall be canceled. The member shall receive credit
7 for nonqualified service based on the payments that were made
8 or the member may request a return of his or her payments.

9 (f) If the election to purchase nonqualified service is canceled
10 as described in subdivision (e), the member may, prior to the
11 effective date of his or her retirement, elect to purchase
12 nonqualified service pursuant to this section.

13 SEC. 17. Section 23004 of the Education Code is amended to
14 read:

15 23004. The county superintendent of schools or employing
16 agency shall, or a school district or community college district
17 may, with approval of the board, submit a report monthly to the
18 system containing information as the board may require in the
19 administration of the plan. That monthly report shall be
20 submitted electronically in an encrypted format provided by the
21 system that ensures the security of the transmitted member data.

22 SEC. 18. Section 23300 of the Education Code is amended to
23 read:

24 23300. (a) A member of the Defined Benefit Program may
25 designate a beneficiary to receive benefits payable under this part
26 upon the member's death. A beneficiary designation may not be
27 made in derogation of a community property interest of a
28 nonmember spouse, as defined by Section 25000.9, with respect
29 to service or contributions credited under this part, unless the
30 nonmember spouse has previously obtained an alternative order
31 pursuant to Section 2610 of the Family Code.

32 (b) A member's beneficiary designation for benefits payable
33 under the Defined Benefit Program, including a designation
34 made pursuant to Section 24300 or 24300.1, shall also apply to
35 benefits payable under the Defined Benefit Supplement Program.
36 A beneficiary designation shall be in writing on a form
37 prescribed by the system and executed by the member.

38 (c) A beneficiary designation shall not be valid unless it is
39 received in the system's headquarters office, as established
40 pursuant to Section 22375, prior to the member's death.

1 (d) A member may change or revoke a beneficiary designation
2 at any time by making a new designation pursuant to this section.

3 (e) This section is not applicable to the designation of an
4 option beneficiary or an annuity beneficiary under this part.

5 (f) An option beneficiary may designate a death beneficiary
6 who would, upon the death of the option beneficiary, be entitled
7 to receive the option beneficiary's accrued monthly allowance.

8 SEC. 19. Section 23805 of the Education Code is amended to
9 read:

10 23805. A family allowance is payable in the amount and to
11 the specified persons in the following order of priority:

12 (a) To the deceased member's surviving spouse who has
13 financial responsibility for at least one dependent child, an
14 amount equal to 40 percent of the member's final compensation
15 or the disabled member's projected final compensation plus 10
16 percent of the member's final compensation or the disabled
17 member's projected final compensation for each child, up to a
18 maximum allowance of 90 percent.

19 (b) If there is no surviving spouse or upon the death of the
20 surviving spouse, to each dependent child, an amount equal to 10
21 percent of the deceased member's final compensation or the
22 disabled member's projected final compensation, up to a
23 maximum allowance of 50 percent. If there are more than five
24 dependent children, they shall share equally in the maximum
25 allowance of 50 percent.

26 (c) To the surviving spouse at 60 years of age or over if there
27 is no dependent child, a monthly allowance equal to the amount
28 that would have been payable to the spouse as beneficiary under
29 Option 3 pursuant to Section 24300 that provides an allowance
30 equal to one-half of the modified retirement allowance the
31 member would have received at 60 years of age, computed on the
32 member's projected final compensation and projected service to
33 normal retirement age. The allowance payable under this
34 subdivision shall be increased by application of the benefit
35 improvement factor for time that elapses between the date the
36 member would have attained normal retirement age and the date
37 the family allowance under this subdivision begins to accrue. The
38 allowance calculation shall include service credit for the unused
39 sick leave that had accrued to the member as of the date of his or
40 her death. Eligibility for the inclusion of service credit for unused

1 sick leave credit and the calculation of that service credit shall be
2 determined pursuant to Section 22717.

3 (d) If there is no surviving spouse or dependent child, to the
4 dependent parent, 60 years of age or over, a monthly allowance
5 equal to the amount that would have been payable to the
6 dependent parent as beneficiary under Option 3 pursuant to
7 Section 24300 that provides an allowance equal to one-half of the
8 modified retirement allowance the member would have received
9 at 60 years of age, computed on the member's projected final
10 compensation and projected service to normal retirement age.
11 The allowance calculation shall include service credit for the
12 unused sick leave that had accrued to the member as of the date
13 of his or her death. Eligibility for the inclusion of service credit
14 for unused sick leave and the calculation of that service credit
15 shall be determined pursuant to Section 22717. If there are two
16 dependent parents, only one family allowance shall be payable
17 under this subdivision and that allowance shall be computed on
18 the assumption that the younger parent is the option beneficiary
19 and the allowance shall be divided equally for as long as there
20 are two dependent parents. Thereafter, the full allowance shall be
21 payable to the surviving dependent parent.

22 (e) The surviving spouse or dependent parent may elect to
23 begin receiving the family allowance payable under subdivision
24 (c) or (d) immediately upon the later of the death of the member
25 or when there is no dependent child, or to defer receipt of the
26 allowance to the date the surviving spouse or dependent parent
27 attains 60 years of age. If allowance payments commence prior to
28 the date the surviving spouse or dependent parent attains 60 years
29 of age, the allowance payable shall be actuarially reduced.

30 (f) If there is no dependent child, a surviving spouse or
31 dependent parent or parents may elect, prior to receipt of the first
32 payment under subdivision (c) or (d), to receive the member's
33 accumulated retirement contributions in a lump sum subject to a
34 reduction for any disability allowance or family allowance
35 payments previously made.

36 (g) (1) *The allowance calculated under this section shall not*
37 *include either of the following:*

38 (A) *The increase in the percentage of final compensation*
39 *pursuant to Section 24203.5.*

1 (B) *The increase in the monthly allowance pursuant to Section*
2 *24203.6.*

3 (2) *This subdivision does not constitute a change in, but is*
4 *declaratory of, the existing law.*

5 SEC. 20. Section 23855 of the Education Code is amended to
6 read:

7 23855. (a) The survivor benefit allowance is a monthly
8 allowance equal to one-half of the modified retirement allowance
9 the member would have received at 60 years of age, if the
10 member had retired and elected Option 3 pursuant to Section
11 24300 ~~that provides an allowance equal to one-half of the~~
12 ~~modified allowance the member would have received at 60 years~~
13 ~~of age, naming the spouse as the option beneficiary.~~

14 (b) The allowance payable under this subdivision shall be
15 based on the member's actual service credit and final
16 compensation as of the date of his or her death, the retirement
17 factor at 60 years of age, and the member's and spouse's ages as
18 of the date the member would have attained 60 years of age. If
19 the member's death occurs after he or she attains 60 years of age,
20 his or her actual final compensation, the retirement factor at 60
21 years of age, and the member's and spouse's ages as of the date
22 of the member's death shall be used in the allowance calculation.

23 (c) The allowance calculation shall include service credit for
24 the unused sick leave that had accrued to the member as of the
25 date of his or her death. Eligibility for the inclusion of unused
26 sick leave service credit and the calculation of that service credit
27 shall be determined pursuant to Section 22717.

28 (d) (1) *The allowance calculation shall not include either of*
29 *the following:*

30 (A) *The increase in the percentage of final compensation*
31 *pursuant to Section 24203.5.*

32 (B) *The increase in the monthly allowance pursuant to Section*
33 *24203.6.*

34 (2) *This subdivision does not constitute a change in, but is*
35 *declaratory of, the existing law.*

36 (e) The surviving spouse may elect to begin receiving the
37 survivor benefit allowance immediately as of the date of the
38 member's death or to defer receipt of the allowance to the date
39 the member would have attained 60 years of age. If allowance
40 payments to the surviving spouse commence prior to the date the

1 member would have attained 60 years of age, the allowance
2 payable shall be actuarially reduced.

3 (e)

4 (f) If the spouse elects, pursuant to Section 23852, to receive
5 the survivor benefit allowance, an additional 10 percent of final
6 compensation shall be payable for each dependent child who is
7 under 21 years of age, up to a maximum of 50 percent of final
8 compensation. The child's portion shall begin to accrue on the
9 day following the member's date of death and shall be payable
10 even if the spouse elects to postpone receipt of the spouse's
11 survivor benefit allowance until the date the member would have
12 attained 60 years of age.

13 SEC. 21. Section 24201 of the Education Code is amended to
14 read:

15 24201. (a) A member may retire for service under this part
16 upon written application for retirement to the board on a properly
17 executed form provided by the system, under paragraph (1) or (2)
18 as follows:

19 (1) The member has attained 55 years of age or more and has
20 at least five years of credited service, at least one year of which
21 has been performed subsequent to the most recent refund of
22 accumulated retirement contributions. The five years of credited
23 service may include out-of-state service purchased pursuant to
24 Section 22820. The number of years of credited service
25 performed in California shall not be less than the number of years
26 necessary to determine final compensation pursuant to Section
27 22134 or 22135, whichever is applicable to the member.

28 (2) The member is credited with service that is not used as a
29 basis for benefits under any other public retirement system,
30 excluding the federal social security system, if the member has
31 attained 55 years of age or older and retires concurrently under
32 one or more of the retirement systems with which the member
33 has concurrent membership as defined in Section 22115.2.

34 (b) Application for retirement under paragraph (2) of
35 subdivision (a) may be made even if the member has not earned
36 five years of credited service.

37 SEC. 22. Section 24202.5 of the Education Code is amended
38 to read:

1 24202.5. (a) A member who retires for service on or after
2 January 1, 1999, shall receive a retirement allowance consisting
3 of all of the following:

4 (1) An annual allowance payable in monthly installments,
5 upon retirement equal to the percentage of the final compensation
6 set forth opposite the member’s age at retirement in the following
7 table multiplied by each year of credited service:

8	9 Age at Retirement	Percentage
10	60.....	2.00
11	60 ¼	2.033
12	60 ½	2.067
13	60 ¾.....	2.10
14	61	2.133
15	61 ¼.....	2.167
16	61 ½.....	2.20
17	61 ¾.....	2.233
18	62	2.267
19	62 ¼.....	2.30
20	62 ½.....	2.333
21	62 ¾.....	2.367
22	63 and over	2.40

23
24 If the member’s retirement is effective at less than normal
25 retirement age and between early retirement age and normal
26 retirement age, the member’s allowance shall be reduced by
27 one-half of 1 percent for each full month, or fraction of a month
28 that will elapse until the member will attain normal retirement
29 age.

30 (2) An annuity that shall be the actuarial equivalent of the
31 member’s accumulated annuity deposit contributions at the time
32 of retirement.

33 (3) An annuity based on the balance of credits in the member’s
34 Defined Benefit Supplement account, pursuant to Section 25012,
35 if elected by the member pursuant to Section 25011 or 25011.1.

36 (b) In computing the amounts described in paragraph (1) of
37 subdivision (a), the age of the member on the last day of the
38 month in which the retirement allowance begins to accrue or the
39 later date as described in Section 24204 shall be used.

1 SEC. 23. Section 24203.6 of the Education Code is amended
2 to read:

3 24203.6. (a) In addition to the amount otherwise payable
4 pursuant to Sections 24202.5, 24203, 24203.5, 24205, 24209,
5 24209.3, 24210, 24211, and 24212, a member shall receive an
6 increase in the monthly allowance, prior to any modification
7 pursuant to Sections 24300, 24300.1, and 24309, in the amount
8 identified in subdivision (b), if the member meets all of the
9 following criteria:

10 (1) The member retires for service on or after January 1, 2001.

11 (2) Prior to January 1, 2011, the member has 30 or more years
12 of credited service, including any credited service that a court has
13 ordered be awarded to a nonmember spouse pursuant to Section
14 22652, but excluding service credited pursuant to the following:

- 15 (A) Section 22714.
- 16 (B) Section 22714.5.
- 17 (C) Section 22715.
- 18 (D) Section 22717, except as provided in subdivision (b) of
19 Section 22121.
- 20 (E) Section 22717.5.
- 21 (F) Section 22826.

22 (3) The member is receiving an allowance subject to Section
23 24203.5.

24 (b) The amount of the increase in the monthly allowance shall
25 be based on the member’s years of credited service at the time of
26 retirement as follows:

27		
28	30 years of credited service.....	\$200
29	31 years of credited service.....	\$300
30	32 or more years of credited service.....	\$400

31
32 (c) This section also applies to a nonmember spouse, if all of
33 the following conditions are satisfied:

34 (1) The member is eligible for the allowance increase pursuant
35 to subdivisions (a) and (b) upon his or her retirement for service.

36 (2) On the date the parties separated, as established in the
37 judgment or court order pursuant to Section 22652, the member
38 had at least 30 years of credited service, excluding service
39 credited pursuant to the following:

40 (A) Section 22714.

- 1 (B) Section 22714.5.
- 2 (C) Section 22715.
- 3 (D) Section 22717, except as provided in subdivision (b) of
- 4 Section 22121.
- 5 (E) Section 22717.5.
- 6 (F) Section 22826.

7 (3) The service credit of the member was divided into separate
 8 accounts in the name of the member and the nonmember spouse
 9 by a court pursuant to Section 22652. The amount identified in
 10 the schedule in subdivision (b) and payable pursuant to this
 11 section, that is based on the service credited during the marriage,
 12 shall be divided and paid to the member and the nonmember
 13 spouse proportionately according to the respective percentages of
 14 the member’s service credit that were allocated to the member
 15 and the nonmember spouse in the court’s order.

16 (d) The allowance increase provided under this section is not
 17 subject to Sections 24415 and 24417, but is subject to Section
 18 22140.

19 SEC. 24. Section 24205 of the Education Code is amended to
 20 read:

21 24205. Any member retiring prior to 60 years of age, and
 22 who has attained 55 years of age, may elect to receive one-half of
 23 the service retirement allowance for normal retirement age for a
 24 limited time and then revert to the full retirement allowance for
 25 normal retirement age.

26 (a) The retirement allowance shall be based on service credit
 27 and final compensation as of the date of retirement for service
 28 and shall be calculated with the factor for normal retirement age.

29 (b) If the member elects a joint and survivor option under
 30 Section 24300 or 24300.1, the actuarial reduction shall be based
 31 on the member’s and beneficiary’s ages as of the effective date of
 32 the early retirement. If the member elected a preretirement option
 33 under Section 24307, the actuarial reduction shall be based on the
 34 member’s and beneficiary’s ages as determined by provisions of
 35 that section.

36 (c) One-half of the retirement allowance as of 60 years of age
 37 shall be paid for a period of time equal to twice the elapsed time
 38 between the effective date of retirement and the date of the
 39 retired member’s 60th birthday.

1 (d) The full retirement allowance as calculated under
2 subdivision (a) or (b) shall begin to accrue as of the first of the
3 month following the reduction period as specified in subdivision
4 (c). The full retirement allowance shall not begin to accrue prior
5 to this time under any circumstances, including, but not limited
6 to, divorce or death of the named beneficiary.

7 (e) The annual improvement factor provided for in Sections
8 22140 and 22141 shall be based upon the retirement allowance as
9 calculated under subdivision (a) or (b). The improvement factor
10 shall begin to accrue on September 1 following the retired
11 member's 60th birthday. These increases shall be accumulated
12 and shall become payable when the full retirement allowance for
13 normal retirement age first becomes payable.

14 (f) Any ad hoc benefit increase with an effective date prior to
15 the retired member's 60th birthday shall not affect any allowance
16 payable under this section. Only those ad hoc improvements with
17 effective dates on or after the retired member's 60th birthday
18 shall be accrued and accumulated and shall first become payable
19 when the full retirement allowance for normal retirement age
20 becomes payable.

21 (g) The cancellation of an option election in accordance with
22 Section 24305 shall not cancel the election under this section.
23 Upon cancellation of the joint and survivor option, one-half of
24 the retired member's retirement allowance as calculated under
25 subdivision (a) shall become payable for the balance of the
26 reduction period specified in subdivision (c).

27 (h) If a retired member who has elected a joint and survivor
28 option dies during the period when the reduced allowance is
29 payable, the beneficiary shall receive one-half of the allowance
30 payable to the beneficiary until the date when the retired member
31 would have received the full retirement allowance for normal
32 retirement age. At that time, the beneficiary's allowance shall be
33 increased to the full amount payable to the beneficiary plus the
34 appropriate annual improvement factor increases and ad hoc
35 increases.

36 SEC. 25. Section 24209 of the Education Code is amended to
37 read:

38 24209. (a) Upon retirement for service following
39 reinstatement, the member shall receive a service retirement
40 allowance equal to the sum of both of the following:

1 (1) An amount equal to the monthly allowance the member
2 was receiving immediately preceding reinstatement, exclusive of
3 any amounts payable pursuant to Section 22714, 22714.5, or
4 22715, increased by the improvement factor that would have
5 been applied to the allowance if the member had not reinstated.

6 (2) An amount calculated pursuant to Section 24202, 24202.5,
7 24203, 24203.5, or 24206 on service credited subsequent to the
8 most recent reinstatement, the member's age at retirement, and
9 final compensation.

10 (b) If the total amount of credited service, other than that
11 accrued pursuant to Sections 22714, 22714.5, 22715, 22717,
12 22717.5, and 22826, is equal to or greater than 30 years, the
13 amounts identified in paragraphs (1), for members who initially
14 retired on or after January 1, 1999, and (2) of subdivision (a)
15 shall be calculated pursuant to Section 24203.5.

16 (c) If the total amount of credited service, other than that
17 accrued pursuant to Sections 22714, 22714.5, 22715, 22717,
18 22717.5, and 22826, is equal to or greater than 30 years, upon
19 retirement for service following reinstatement, a member who
20 retired pursuant to Section 24213, and received the terminated
21 disability allowance for the prior retirement, shall receive a
22 service retirement allowance equal to the sum of the following:

23 (1) An amount based on the service credit accrued prior to the
24 effective date of the disability allowance, the member's age at the
25 prior retirement increased by the factor provided in Section
26 24203.5, and projected final compensation.

27 (2) An amount calculated pursuant to Section 24202, 24202.5,
28 24203.5, or 24206 on service credited subsequent to the
29 reinstatement, the member's age at retirement, and final
30 compensation.

31 (d) For purposes of this section, final compensation shall not
32 be based on a determination of compensation earnable as
33 described in subdivision (e) of Section 22115.

34 SEC. 26. Section 24209.3 of the Education Code is amended
35 to read:

36 24209.3. (a) Notwithstanding subdivision (a) of Section
37 24209 and subdivision (d) of Section 24204, and exclusive of any
38 amounts payable during the prior retirement for service pursuant
39 to Section 22714, 22714.5, or 22715:

1 (1) A member who retired, other than pursuant to Section
2 24210, 24211, 24212, or 24213, and who reinstates and performs
3 creditable service, as defined in Section 22119.5, after the most
4 recent reinstatement, in an amount equal to two or more years of
5 credited service, shall, upon retirement for service on or after the
6 effective date of this section, receive a service retirement
7 allowance equal to the sum of the following:

8 (A) An amount calculated pursuant to this chapter based on
9 credited service performed prior to the most recent reinstatement,
10 using the member's age at the subsequent service retirement,
11 from which age shall be deducted the total time during which the
12 member was retired for service, and final compensation.

13 (B) An amount calculated pursuant to this chapter based on
14 credited service performed subsequent to the most recent
15 reinstatement, using the member's age at the subsequent service
16 retirement, and final compensation.

17 (2) A member who retired pursuant to Section 24210 and who
18 reinstates and performs creditable service, as defined in Section
19 22119.5, after the most recent reinstatement, in an amount equal
20 to two or more years of credited service, shall, upon retirement
21 for service on or after the effective date of this section, receive a
22 service retirement allowance equal to the sum of the following:

23 (A) An amount calculated pursuant to this chapter based on
24 service credit accrued prior to the effective date of the disability
25 retirement, using the member's age at the subsequent service
26 retirement, from which age shall be deducted the total time
27 during which the member was retired for service, and indexed
28 final compensation to the effective date of the initial service
29 retirement.

30 (B) An amount calculated pursuant to this chapter based on the
31 service credit accrued after termination of the disability
32 retirement, using the member's age at the subsequent service
33 retirement, from which age shall be deducted the total time
34 during which the member was retired for service, and final
35 compensation.

36 (C) An amount calculated pursuant to this chapter based on
37 credited service performed subsequent to the most recent
38 reinstatement, using the member's age at the subsequent service
39 retirement, and final compensation.

1 (3) A member who retired pursuant to Section 24211 and who
2 reinstates and performs creditable service, as defined in Section
3 22119.5, after the most recent reinstatement, in an amount equal
4 to two or more years of credited service, shall, upon retirement
5 for service on or after the effective date of this section, receive a
6 service retirement allowance equal to the sum of the following:

7 (A) The greater of (i) the disability allowance the member was
8 receiving immediately prior to termination of that allowance,
9 excluding the children's portion, or (ii) an amount calculated
10 pursuant to this chapter based on service credit accrued prior to
11 the effective date of the disability allowance, using the member's
12 age at the subsequent service retirement, from which age shall be
13 deducted the total time during which the member was retired for
14 service, and final compensation using compensation earnable or
15 projected final compensation or a combination of both.

16 (B) An amount equal to either of the following:

17 (i) For a member who was receiving a benefit pursuant to
18 subdivision (a) of Section 24211, the member's credited service
19 at the time of the retirement pursuant to Section 24211, excluding
20 service credited pursuant to Section 22717 or 22717.5 or Chapter
21 14 (commencing with Section 22800) or Chapter 14.2
22 (commencing with Section 22820) or Chapter 19 (commencing
23 with Section 23200).

24 (ii) For a member who was receiving a benefit pursuant to
25 subdivision (b) of Section 24211, the member's projected
26 service, excluding service credited pursuant to Section 22717 or
27 22717.5 or Chapter 14 (commencing with Section 22800) or
28 Chapter 14.2 (commencing with Section 22820) or Chapter 19
29 (commencing with Section 23200).

30 (C) An amount calculated pursuant to this chapter based on
31 credited service performed subsequent to the most recent
32 reinstatement, using the member's age at the subsequent service
33 retirement, and final compensation using compensation earnable
34 or projected final compensation or a combination of both.

35 (D) An amount based on any service credited pursuant to
36 Chapter 14 (commencing with Section 22800) or Chapter 14.2
37 (commencing with Section 22820) or Chapter 19 (commencing
38 with Section 23200) or, for credited service performed during the
39 most recent reinstatement, Section 22714, 22714.5, 22715,
40 22717, or 22717.5, using the member's age at the subsequent

1 service retirement, from which age shall be deducted the total
2 time during which the member was retired for service, and final
3 compensation using compensation earnable, or projected final
4 compensation, or a combination of both.

5 (4) A member who retired pursuant to Section 24212 or 24213
6 and who reinstates and performs creditable service, as defined in
7 Section 22119.5, after the most recent reinstatement, in an
8 amount equal to two or more years of credited service, shall,
9 upon retirement for service on or after the effective date of this
10 section, receive a service retirement allowance equal to the sum
11 of the following:

12 (A) An amount calculated pursuant to this chapter based on
13 the member's projected service credit, excluding service credited
14 pursuant to Section 22717, 22717.5, or Chapter 14 (commencing
15 with Section 22800) or Chapter 14.2 (commencing with Section
16 22820) or Chapter 19 (commencing with Section 23200), using
17 the member's age at the subsequent service retirement, from
18 which age shall be deducted the total time during which the
19 member was retired for service, and final compensation using
20 compensation earnable or projected final compensation or a
21 combination of both.

22 (B) An amount calculated pursuant to this chapter based on
23 credited service performed subsequent to the most recent
24 reinstatement, using the member's age at the subsequent service
25 retirement, and final compensation, using compensation earnable
26 or projected final compensation or a combination of both.

27 (C) An amount based on any service credited pursuant to
28 Chapter 14 (commencing with Section 22800) or Chapter 14.2
29 (commencing with Section 22820) or Chapter 19 (commencing
30 with Section 23200) or, for credited service performed during the
31 most recent reinstatement, Section 22714, 22714.5, 22715,
32 22717, or 22717.5, using the member's age at the subsequent
33 service retirement, from which age shall be deducted the total
34 time during which the member was retired for service, and final
35 compensation using compensation earnable, or projected final
36 compensation, or a combination of both.

37 (b) If the total amount of credited service, other than that
38 accrued pursuant to Sections 22714, 22714.5, 22715, 22717,
39 22717.5, and 22826, is equal to or greater than the number of
40 years required to be eligible for an increased allowance pursuant

1 to this chapter or Section 22134.5, the amounts identified in this
2 section shall be calculated pursuant to the section authorizing the
3 increased benefit.

4 (c) For members receiving an allowance pursuant to Section
5 24410.5 or 24410.6, the amount payable pursuant to this section
6 shall not be less than the amount payable to the member as of the
7 effective date of reinstatement.

8 (d) The amount payable pursuant to this section shall not be
9 less than the amount that would be payable to the member
10 pursuant to Section 24209.

11 (e) For purposes of determining an allowance increase
12 pursuant to Sections 24415 and 24417, the calendar year of
13 retirement shall be the year of the subsequent retirement if the
14 final compensation used to calculate the allowance pursuant to
15 this section is higher than the final compensation used to
16 calculate the allowance for the prior retirement.

17 (f) The allowance paid pursuant to this section to a member
18 receiving a lump-sum payment pursuant to Section 24221 shall
19 be actuarially reduced to reflect that lump-sum payment.

20 (g) For purposes of this section, final compensation shall not
21 be based on a determination of compensation earnable as
22 described in subdivision (e) of Section 22115.

23 SEC. 27. Section 24211 of the Education Code is amended to
24 read:

25 24211. When a member who has been granted a disability
26 allowance under this part after June 30, 1972, returns to
27 employment subject to coverage under the Defined Benefit
28 Program and performs:

29 (a) Less than three years of creditable service after termination
30 of the disability allowance, the member shall receive a retirement
31 allowance which is the sum of the allowance calculated on
32 service credit accrued after the termination date of the disability
33 allowance, the age of the member on the last day of the month in
34 which the retirement allowance begins to accrue, and final
35 compensation using compensation earnable and projected final
36 compensation, plus the greater of either of the following:

37 (1) A service retirement allowance calculated on service credit
38 accrued as of the effective date of the disability allowance, the
39 age of the member on the last day of the month in which the
40 retirement allowance begins to accrue, and projected final

1 compensation excluding service credited pursuant to Sections
2 22717 and 22717.5 or Chapter 14 (commencing with Section
3 22800) or Chapter 14.2 (commencing with Section 22820) or
4 Chapter 19 (commencing with Section 23200), to the termination
5 date of the disability allowance.

6 (2) The disability allowance the member was receiving
7 immediately prior to termination of that allowance, excluding
8 children's portions.

9 (b) Three or more years of creditable service after termination
10 of the disability allowance, the member shall receive a retirement
11 allowance that is the greater of the following:

12 (1) A service retirement allowance calculated on all actual and
13 projected service excluding service credited pursuant to Sections
14 22717 and 22717.5 or Chapter 14 (commencing with Section
15 22800) or Chapter 14.2 (commencing with Section 22820) or
16 Chapter 19 (commencing with Section 23200), the age of the
17 member on the last day of the month in which the retirement
18 allowance begins to accrue, and final compensation using
19 compensation earnable, or projected final compensation, or a
20 combination of both.

21 (2) The disability allowance the member was receiving
22 immediately prior to termination of that allowance, excluding
23 children's portions.

24 (c) The allowance shall be increased by an amount based on
25 any service credited pursuant to Sections 22714, 22714.5, 22715,
26 22717, and 22717.5 or Chapter 14 (commencing with Section
27 22800) or Chapter 14.2 (commencing with Section 22820) or
28 Chapter 19 (commencing with Section 23200), and final
29 compensation using compensation earnable, or projected final
30 compensation, or a combination of both.

31 (d) If the total amount of credited service, other than projected
32 service or service that accrued pursuant to Sections 22714,
33 22714.5, 22715, 22717, 22717.5, and 22826, is equal to or
34 greater than 30 years, the amounts identified in subdivisions (a)
35 and (b) shall be calculated pursuant to Sections 24203.5 and
36 24203.6.

37 (e) For purposes of this section, final compensation shall not
38 be based on a determination of compensation earnable as
39 described in subdivision (e) of Section 22115.

1 SEC. 28. Section 24214 of the Education Code, as amended
2 by Section 24 of Chapter 351 of the Statutes of 2005, is amended
3 to read:

4 24214. (a) A member retired for service under this part may
5 perform the activities identified in paragraphs (1) to (9),
6 inclusive, of subdivision (a), or subdivision (b), of Section
7 22119.5 as an employee of an employer, as an employee of a
8 third party, or as an independent contractor within the California
9 public school system, but the member may not make
10 contributions to the retirement fund or accrue service credit based
11 on compensation earned from that service. The employer shall
12 maintain accurate records of the earnings of the retired member
13 and report those earnings monthly to the system and retired
14 member as described in Section 22461.

15 (b) If a member is retired for service under this part, the rate of
16 pay for service performed by that member as an employee of the
17 employer, as an employee of a third party, or as an independent
18 contractor, may not be less than the minimum, nor exceed that
19 paid by the employer to other employees performing comparable
20 duties.

21 (c) A member retired for service under this part may not be
22 required to reinstate for performing the activities identified in
23 paragraphs (1) to (9), inclusive, of subdivision (a), or subdivision
24 (b), of Section 22119.5, as an employee of an employer, as an
25 employee of a third party, or as an independent contractor within
26 the California public school system.

27 (d) A member retired for service under this part may earn
28 compensation for performing activities identified in paragraphs
29 (1) to (9), inclusive, of subdivision (a), or subdivision (b), of
30 Section 22119.5 in any one school year up to the limitation
31 specified in subdivision (f) as an employee of an employer, as an
32 employee of a third party, or an independent contractor, within
33 the California public school system, without a reduction in his or
34 her retirement allowance.

35 (e) (1) The postretirement compensation limitation provisions
36 set forth in this section are not applicable to compensation earned
37 by a member retired for service under this part who has returned
38 to work after the date of retirement and, for a period of at least 12
39 consecutive months, has not performed the activities identified in
40 paragraphs (1) to (9), inclusive, of subdivision (a), or subdivision

1 (b), of Section 22119.5 as an employee of an employer, as an
2 employee of a third party, or as an independent contractor within
3 the California public school system. For the purpose of this
4 paragraph, the period of 12 consecutive months begins from the
5 effective date of the member's most recent retirement.

6 (2) The postretirement compensation limitation provisions set
7 forth in this section are not applicable to compensation earned for
8 the performance of the activities described in subdivision (a) for
9 which the employer is not eligible to receive state apportionment
10 or to compensation that is not creditable pursuant to Section
11 22119.2.

12 (f) The limitation that shall apply to the compensation for
13 performance of the activities identified in paragraphs (1) to (9),
14 inclusive, of subdivision (a), or subdivision (b), of Section
15 22119.5 by a member retired for service under this part either as
16 an employee of an employer, an employee of a third party, or as
17 an independent contractor, shall, in any one school year, be an
18 amount calculated by the board each July 1 equal to twenty-two
19 thousand dollars (\$22,000) adjusted by the percentage change in
20 the average compensation earnable of active members of the
21 Defined Benefit Program, as determined by the system, from the
22 1998–99 fiscal year to the fiscal year ending in the previous
23 calendar year.

24 (g) If a member retired for service under this part earns
25 compensation for performing activities identified in paragraphs
26 (1) to (9), inclusive, of subdivision (a), or subdivision (b), of
27 Section 22119.5 in excess of the limitation specified in
28 subdivision (f), as an employee of an employer, as an employee
29 of a third party, or as an independent contractor, within the
30 California public school system, and if that compensation is not
31 exempt from that limitation under subdivision (e) or any other
32 provisions of law, the member's retirement allowance shall be
33 reduced by the amount of the excess compensation. The amount
34 of the reduction may be equal to the monthly allowance payable
35 but shall not exceed the amount of the annual allowance payable
36 under this part for the fiscal year in which the excess
37 compensation was earned.

38 (h) The amendments to this section enacted during the
39 1995–96 Regular Session shall be deemed to have become
40 operative on July 1, 1996.

1 (i) This section shall be repealed on January 1, 2008, unless
2 later enacted legislation extends or deletes that date.

3 SEC. 29. Section 24214 of the Education Code, as amended
4 by Section 23 of Chapter 912 of the Statutes of 2004, is amended
5 to read:

6 24214. (a) A member retired for service under this part may
7 perform the activities identified in paragraphs (1) to (9),
8 inclusive, of subdivision (a), or subdivision (b), of Section
9 22119.5 as an employee of an employer, as an employee of a
10 third party, or as an independent contractor within the California
11 public school system, but the member may not make
12 contributions to the retirement fund or accrue service credit based
13 on compensation earned from that service. The employer shall
14 maintain accurate records of the earnings of the retired member
15 and report those earnings monthly to the system and retired
16 member as described in Section 22461.

17 (b) If a member is retired for service under this part, the rate
18 of pay for service performed by that member as an employee of
19 the employer, as an employee of a third party, or as an
20 independent contractor, may not be less than the minimum, nor
21 exceed that paid by the employer to other employees performing
22 comparable duties.

23 (c) A member retired for service under this part may not be
24 required to reinstate for performing the activities identified in
25 paragraphs (1) to (9), inclusive, of subdivision (a), or subdivision
26 (b), of Section 22119.5, as an employee of an employer, as an
27 employee of a third party, or as an independent contractor within
28 the California public school system.

29 (d) A member retired for service under this part may earn
30 compensation for performing activities identified in paragraphs
31 (1) to (9), inclusive, of subdivision (a), or subdivision (b), of
32 Section 22119.5 in any one school year up to the limitation
33 specified in subdivision (f) as an employee of an employer, as an
34 employee of a third party, or an independent contractor, within
35 the California public school system, without a reduction in his or
36 her retirement allowance.

37 (e) The postretirement compensation limitation provisions set
38 forth in this section are not applicable to compensation earned for
39 the performance of the activities described in subdivision (a) for
40 which the employer is not eligible to receive state apportionment

1 or to compensation that is not creditable pursuant to Section
2 22119.2.

3 (f) The limitation that shall apply to the compensation for
4 performance of the activities identified in paragraphs (1) to (9),
5 inclusive, of subdivision (a), or subdivision (b), of Section
6 22119.5 by a member retired for service under this part either as
7 an employee of an employer, an employee of a third party, or as
8 an independent contractor, shall, in any one school year, be an
9 amount calculated by the board each July 1 equal to twenty-two
10 thousand dollars (\$22,000) adjusted by the percentage change in
11 the average compensation earnable of active members of the
12 Defined Benefit Program, as determined by the system, from the
13 1998–99 fiscal year to the fiscal year ending in the previous
14 calendar year.

15 (g) If a member retired for service under this part earns
16 compensation for performing activities identified in paragraphs
17 (1) to (9), inclusive, of subdivision (a), or subdivision (b), of
18 Section 22119.5 in excess of the limitation specified in
19 subdivision (f), as an employee of an employer, as an employee
20 of a third party, or as an independent contractor, within the
21 California public school system, the member’s retirement
22 allowance shall be reduced by the amount of the excess
23 compensation. The amount of the reduction may be equal to the
24 monthly allowance payable but may not exceed the amount of
25 the annual allowance payable under this part for the fiscal year in
26 which the excess compensation was earned.

27 (h) The language of this section derived from the amendments
28 to the section of this number added by Chapter 394 of the
29 Statutes of 1995, enacted during the 1995–96 Regular Session, is
30 deemed to have become operative on July 1, 1996.

31 (i) This section shall become operative on January 1, 2008.

32 SEC. 30. Section 24221 of the Education Code is amended to
33 read:

34 24221. (a) A member who retires for service prior to January
35 1, 2011, may elect, on a form prescribed by the system, to
36 receive a lump-sum payment and an actuarially reduced monthly
37 allowance pursuant to this section in lieu of the monthly
38 unmodified allowance that would otherwise be payable to the
39 member pursuant to this chapter. The election under this section

1 shall be made at the time the member files his or her application
2 for service retirement allowance as provided in Section 24204.

3 (b) A member who makes the election described in
4 subdivision (a) shall receive a one-time, lump-sum payment in an
5 amount that equals or does not exceed the lesser of the following
6 amounts:

7 (1) The actuarial present value of the amount by which (A) the
8 monthly unmodified allowance payable to the member pursuant
9 to this chapter exceeds (B) an amount equal to 2 percent of the
10 member's final compensation multiplied by the number of years
11 of credited service and divided by 12.

12 (2) Fifteen percent of the actuarial present value of the
13 monthly unmodified allowance payable to the member under this
14 chapter.

15 (c) Notwithstanding any other provision of this part, a member
16 who makes the election described in subdivision (a) shall receive
17 a monthly unmodified allowance, pursuant to this chapter, that
18 shall be actuarially reduced to reflect the lump-sum amount paid
19 under subdivision (b). The actuarial reduced unmodified
20 allowance may be modified pursuant to Section 24300 or
21 24300.1.

22 (d) A member may not apply a lump-sum payment made
23 pursuant to this section for the purposes of redepositing
24 previously refunded retirement contributions pursuant to Chapter
25 19 (commencing with Section 23200) or purchasing service
26 credit pursuant to Chapter 14 (commencing with Section 22800),
27 Chapter 14.2 (commencing with Section 22820) or Chapter 14.5
28 (commencing with Section 22850). The Legislature hereby finds
29 and declares that if a member who elects to receive a partial
30 lump-sum payment also elects to redeposit previously refunded
31 retirement contributions or purchase service credit as a result of
32 the receipt of the lump-sum payment, the Defined Benefit
33 Program may experience a net actuarial impact.

34 (e) An election pursuant to subdivision (a) may have no net
35 actuarial impact to the Defined Benefit Program. The board shall
36 adopt present value factors to establish a corresponding
37 actuarially reduced monthly allowance, that results in no net
38 actuarial impact to the Defined Benefit Program. The Legislature
39 reserves the right to modify the provisions of this section to
40 further the objective of permitting eligible members to receive a

1 lump-sum distribution of a portion of their benefits, with a
2 corresponding actuarial reduction in their monthly allowance, so
3 that there is no net actuarial impact to the Defined Benefit
4 Program.

5 SEC. 31. Section 24300 of the Education Code is amended to
6 read:

7 24300. (a) A member may, prior to the effective date of the
8 member's retirement, elect an option pursuant to this part that
9 would provide an actuarially modified retirement allowance
10 payable throughout the life of the member and the member's
11 option beneficiary *or beneficiaries*, as follows:

12 (1) Option 2. The modified retirement allowance shall be
13 paid to the retired member. Upon the retired member's death, an
14 allowance equal to the modified amount that the retired member
15 was receiving shall be paid to the option beneficiary.

16 (2) Option 3. The modified retirement allowance shall be
17 paid to the retired member. Upon the retired member's death, an
18 allowance equal to one-half of the modified amount that the
19 retired member was receiving shall be paid to the option
20 beneficiary.

21 (3) Option 4. The modified retirement allowance shall be
22 paid to the retired member as long as both the retired member
23 and the option beneficiary are living. Upon the death of either the
24 retired member or the option beneficiary, an allowance equal to
25 two-thirds of the modified amount that the retired member was
26 receiving shall be paid to the surviving retired member or the
27 surviving option beneficiary.

28 (4) Option 5. The modified retirement allowance shall be
29 paid to the retired member as long as both the retired member
30 and the option beneficiary are living. Upon the death of either the
31 retired member or the option beneficiary, an allowance equal to
32 one-half of the modified amount that the retired member was
33 receiving shall be paid to the surviving retired member or
34 surviving option beneficiary.

35 (5) Option 6. The modified retirement allowance shall be
36 paid to the retired member and upon the retired member's death,
37 an allowance equal to the modified amount that the retired
38 member was receiving shall be paid to the option beneficiary.
39 However, if the option beneficiary predeceases the retired
40 member, the retirement allowance without modification for the

1 option shall be payable to the retired member. If the option
2 beneficiary predeceases the retired member, the retired member
3 may designate a new option beneficiary. The effective date of the
4 new designation shall be six months following the date
5 notification is received by the board, so long as both the retired
6 member and the designated option beneficiary are then living.
7 Notification shall be on a properly executed form for the new
8 designation. The ~~selection~~ *designation* of the new option
9 beneficiary under this subdivision is subject to an actuarial
10 modification of the unmodified retirement allowance and shall
11 not result in any additional liability to the fund. The new option
12 beneficiary shall not be an existing option beneficiary.

13 (6) Option 7. The modified retirement allowance shall be
14 paid to the retired member and upon the retired member's death,
15 an allowance equal to one-half of the modified amount the retired
16 member was receiving shall be paid to the option beneficiary.
17 However, if the option beneficiary predeceases the retired
18 member, the retirement allowance without modification for the
19 option shall be payable to the retired member. If the option
20 beneficiary predeceases the retired member, the retired member
21 may designate a new option beneficiary. The effective date of the
22 new designation shall be six months following the date
23 notification is received by the board, provided both the retired
24 member and the designated option beneficiary are then living.
25 Notification shall be on a properly executed form for the new
26 designation. The ~~selection~~ *designation* of the new option
27 beneficiary under this subdivision is subject to an actuarial
28 modification of the unmodified retirement allowance and shall
29 not result in any additional liability to the fund. The new option
30 beneficiary shall not be an existing option beneficiary.

31 (7) Option 8. (A) Any member, prior to the effective date of
32 the member's retirement, may designate multiple option
33 beneficiaries. The member who has designated more than one
34 option beneficiary shall ~~select~~ *elect* an option that the member is
35 authorized to elect subject to subdivision (e) for each beneficiary
36 designated that would provide an actuarially modified retirement
37 allowance payable throughout the lives of the member and the
38 member's option beneficiaries.

39 (B) The modified retirement allowance shall be paid to the
40 retired member as long as the retired member and at least one of

1 the option beneficiaries are living. Upon the retired member's
2 death, an allowance shall be paid to each surviving option
3 beneficiary in accordance with the option elected respective to
4 that beneficiary. However, if one or more of the option
5 beneficiaries predeceases the retired member, the retired
6 member's allowance shall be adjusted in accordance with the
7 option elected for the deceased beneficiary. The member shall
8 determine the percentage of the unmodified allowance that will
9 be modified by the election of Option 2, Option 3, Option 4,
10 Option 5, Option 6, or Option 7—~~under~~ *within* this option, the
11 aggregate of which shall equal 100 percent of the member's
12 unmodified allowance. The election of this option is subject to
13 approval by the board.

14 (C) A member who is a party to an action for legal separation
15 or dissolution of marriage and who is required by court order to
16 designate a spouse or former spouse as an option beneficiary may
17 designate his or her spouse or former spouse as a sole option
18 beneficiary under subparagraphs (A) and (B). The member shall
19 specify the option—~~selected~~ *elected* for the spouse or former
20 spouse and the percentage of his or her unmodified allowance to
21 be modified—~~under~~ *by* the option, consistent with the court order.
22 The percentage of the member's unmodified allowance that is not
23 modified—~~under~~ *by* the option shall remain an unmodified
24 allowance payable to the member. The aggregate of the
25 percentages specified for the option beneficiary and the
26 member's remaining unmodified allowance, if any, shall equal
27 100 percent.

28 (b) For purposes of this section, the member shall designate an
29 option beneficiary on a form prescribed by the system, which
30 shall be duly executed and filed with the system at the time of the
31 member's retirement.

32 (c) A member may revoke or change an election of an option
33 at any time prior to the effective date of the member's retirement
34 under this part. A revocation or change of an option may not be
35 made in derogation of a spouse's or former spouse's community
36 property rights as specified in a court order.

37 (d) On or before July 1, 2004, the board shall evaluate the
38 existing options and annuities provided pursuant to this section,
39 Chapter 38 (commencing with Section 25000) of this part, and
40 Part 14 (commencing with Section 26000) and adopt, as a plan

1 amendment, any appropriate changes to the options and annuities
2 based on the needs of members, participants, and their
3 beneficiaries, including, but not limited to, providing economic
4 security for beneficiaries and reducing complexity in the
5 ~~selection~~ *election* of options and annuities by members and
6 participants. The changes to the options and annuities may have
7 no net actuarial impact on the retirement fund, and the board may
8 establish any eligibility criteria it deems necessary to prevent an
9 adverse actuarial impact to the fund. The board shall designate
10 the effective date of the plan amendment, which shall be at least
11 18 months after the amendment is adopted by the board, and
12 notwithstanding any other provision of this section, the options
13 and annuities available to members and participants eligible to
14 retire pursuant to this part and Part 14 (commencing with Section
15 26000), after the effective date of the plan amendment made
16 pursuant to this subdivision, shall reflect the changes adopted as
17 a plan amendment pursuant to this subdivision.

18 (e) Any member or participant who retired and elected an
19 option or a joint and survivor annuity, or who filed a
20 preretirement election of an option prior to the effective date of
21 the plan amendment made pursuant to subdivision (d), may elect
22 to change to a different option or joint and survivor annuity, as
23 modified by the board as a plan amendment pursuant to
24 subdivision (d), if the member or participant meets all the criteria
25 established by the board to prevent a change in an option or joint
26 and survivor annuity from having an adverse actuarial impact on
27 the retirement fund, including, but not limited to, the effective
28 date of a new designation or limitations on any changes if a
29 member or participant, as the case may be, or beneficiary, or
30 both, is currently not living or afflicted with a known terminal
31 illness. The member or participant shall designate the change
32 during the six-month period that begins with the effective date of
33 the plan amendment, on a form prescribed by the system. Any
34 member changing an option election pursuant to this subdivision
35 is not subject to the allowance reduction prescribed in Section
36 24309 or 24310 as a result of the election. If a member or
37 participant elects to change his or her option or joint and survivor
38 annuity under this subdivision, the member or participant shall
39 retain the same option beneficiary or beneficiaries as named in
40 the prior designation.

1 (f) The Legislature reserves the right to modify this section
2 prior to the effective date of the plan amendment made pursuant
3 to subdivision (d) to prevent any actuarial impact to the fund.

4 (g) Except as described in subdivision (d) of Section 24300.1,
5 on or after January 1, 2007, a member may not make a new
6 election for an option or joint and survivor annuity described in
7 subdivision (a).

8 (h) *Any member with a retirement effective on or after January*
9 *1, 2007, shall elect an option from the options described in*
10 *Section 24300.1. Any member making a new option election*
11 *under the provisions of Section 24300.6, 24305.5, or 24306 shall*
12 *elect an option from the options described in Section 24300.1 if*
13 *the effective date of the new option election is on or after*
14 *January 1, 2007.*

15 SEC. 32. Section 24300.1 is added to the Education Code, to
16 read:

17 24300.1. (a) A member may, prior to the effective date of his
18 or her retirement, elect an option pursuant to this part that would
19 provide an actuarially modified retirement allowance payable
20 throughout the life of the member and the member's option
21 beneficiary *or beneficiaries*, as follows:

22 (1) One hundred percent beneficiary option. The modified
23 retirement allowance shall be paid to the member and upon the
24 member's death, 100 percent of the modified allowance shall
25 continue to be paid to the option beneficiary.

26 (2) Seventy-five percent beneficiary option. The modified
27 retirement allowance shall be paid to the member and upon the
28 member's death, 75 percent of the modified allowance shall
29 continue to be paid to the option beneficiary. Pursuant to Section
30 401(a)(9) of the Internal Revenue Code, unless the option
31 beneficiary is the member's spouse or former spouse who has
32 been awarded a community property interest in the benefits of
33 the member under this part, the member may not designate an
34 option beneficiary under this option who is more than *exactly* 19
35 years ~~of age~~ younger than the member.

36 (3) Fifty percent beneficiary option. The modified retirement
37 allowance shall be paid to the member and upon the death of the
38 member, 50 percent of the modified allowance shall continue to
39 be paid to the option beneficiary.

1 (4) Compound option. The member may designate ~~one or~~
2 ~~more option beneficiaries~~ *multiple option beneficiaries or one or*
3 *multiple option beneficiaries with a designated percentage to*
4 *remain unmodified.* The member shall ~~select~~ *elect* an option as
5 *described in paragraph (1), (2), or (3)* for each designated option
6 beneficiary that would provide an actuarially modified retirement
7 allowance payable throughout the lives of the member and the
8 member's option *beneficiary or beneficiaries.*

9 (A) The modified retirement allowance shall be paid to the
10 member as long as the member and at least one ~~of the option~~
11 ~~beneficiaries are~~ *option beneficiary is* living. Upon the member's
12 death, an allowance shall be paid to each surviving option
13 beneficiary in accordance with the option elected respective to
14 that *option beneficiary.* If ~~one or more of the option beneficiaries~~
15 *an option beneficiary* predeceases the member, the member's
16 allowance shall be adjusted in accordance with the option elected
17 for the deceased *option beneficiary.*

18 ~~(B) A member may designate a single option beneficiary~~
19 ~~pursuant to the compound option and~~

20 (B) *The member* shall specify the percent of the unmodified
21 allowance that will be modified by the election of ~~the~~ *each* option
22 described in paragraph (1), (2), or (3) of this subdivision. The
23 percent of the unmodified allowance ~~of the member~~ that is not
24 modified ~~under the option~~ *by an option, if any,* shall be payable
25 to the member. The sum of the percentages specified for the
26 option beneficiary *or beneficiaries* and the member's remaining
27 unmodified allowance, *if any,* shall equal 100 percent.

28 ~~(C) A member may designate more than one option~~
29 ~~beneficiary pursuant to the compound option and shall specify~~
30 ~~the percent of the unmodified allowance that will be modified by~~
31 ~~the election of the options described in paragraph (1), (2), or (3),~~
32 ~~of this subdivision for each option beneficiary. The percent of the~~
33 ~~unmodified allowance of the member that is not modified under~~
34 ~~the options shall be payable to the member. The sum of the~~
35 ~~percentages specified for each option beneficiary and the~~
36 ~~member's remaining unmodified allowance shall equal 100~~
37 ~~percent.~~

38 ~~(D)~~

39 (C) The member's election of the Compound Option is subject
40 to all of the following:

1 (i) Pursuant to Section 401(a)(9) of the Internal Revenue
2 Code, if the member elects the 100 Percent Beneficiary Option
3 through his or her Compound Option election, and unless the
4 Code, unless the option beneficiary is the member's spouse or
5 former spouse who has been awarded a community property
6 interest in the member's benefits under this part, the member
7 may not designate an option beneficiary under this option who is
8 10 or more the 100 percent beneficiary option within this
9 compound option who is more than exactly 10 years younger
10 than the member.

11 (2)
12 (ii) Pursuant to Section 401(a)(9) of the Internal Revenue
13 Code, if the member elects the 75 Percent Beneficiary Option
14 through his or her Compound Option election, and unless the
15 Code, unless the option beneficiary is the member's spouse or
16 former spouse who has been awarded a community property
17 interest in the member's benefits under this part, the member
18 may not designate an option beneficiary under this the 75 percent
19 beneficiary option within this compound option who is more than
20 exactly 19 years of age younger than the member.

21 (b) If an option beneficiary designated pursuant to paragraphs
22 (1) to (4) (3), inclusive, of subdivision (a) predeceases the
23 member, that portion of the retirement allowance payable to the
24 option beneficiary shall be paid to the member as a retirement
25 allowance without modification for the option. If the option
26 beneficiary predeceases the member, the member may designate
27 a new option beneficiary for that portion of the retirement
28 allowance payable to the prior option beneficiary. The effective
29 date of the new designation shall be six months following the
30 date of notification is received by the board, provided both the
31 member and the designated option beneficiary are then living.
32 Notification shall be on a properly executed form provided by the
33 system. The designation of the new option beneficiary pursuant
34 to this subdivision is subject to an actuarial modification of the
35 unmodified retirement allowance and may not result in additional
36 liability to the fund. The new option beneficiary cannot be an
37 existing option beneficiary.

38 (c) Notwithstanding Section 297 or 299.2 of the Family Code,
39 a spouse described in paragraph (2), (3), paragraphs (2) and (4)
40 of subdivision (a) does not include the domestic partner of the

1 member, pursuant to Section 7 of Title 1 of the United States
2 Code.

3 (d) If there is a determination of community property rights as
4 described in Chapter 12 (commencing with Section 22650) of
5 this part on or before December 31, 2006, the member may elect
6 the option that is required by the judgment or court order.
7 Nothing in this ~~section~~ *part* shall permit the member to change
8 the option to the detriment of the community property interest of
9 the nonmember spouse.

10 (e) The board may evaluate the existing options and annuities
11 provided pursuant to this section, Chapter 38 (commencing with
12 Section 25000) of this part, and Part 14 (commencing with
13 Section 26000) and adopt, as a plan amendment, any appropriate
14 changes to the options and annuities based on the needs of the
15 members, participants, and their beneficiaries, including, but not
16 limited to, providing economic security for beneficiaries and
17 reducing the complexity of the options and annuities. The
18 changes to the options and annuities may have no net actuarial
19 impact on the retirement fund and the board may establish any
20 eligibility criteria the board deems necessary to prevent an
21 adverse actuarial impact to the fund. The board shall designate
22 the effective date of the plan amendment, which shall be at least
23 18 months after the amendment is adopted by the board, and
24 notwithstanding any other provision of this section, the options
25 and annuities available to members and participants eligible to
26 retire pursuant to this part and Part 14 (commencing with Section
27 26000), after the effective date of the plan amendment made
28 pursuant to this subdivision, shall reflect the changes adopted as
29 a plan amendment to this subdivision.

30 SEC. 33. Section 24300.2 is added to the Education Code, to
31 read:

32 24300.2. (a) A member who retired and elected an option
33 pursuant to Section 24300 may elect to change options, subject to
34 all of the following:

35 (1) A member who elected Option 2 may elect *to change to*
36 the 100 percent beneficiary option described in paragraph (1) or
37 the 75 percent beneficiary option described in paragraph (2) of
38 subdivision (a) of Section 24300.1.

39 (2) A member who elected Option 3, Option 4, or Option 5
40 may elect *to change to* the 75 percent beneficiary option

1 described in paragraph (2) or the 50 percent beneficiary option
2 described in paragraph (3) of subdivision (a) of Section 24300.1.

3 (3) A member who elected Option 6 or Option 7 may elect *to*
4 *change to* the 75 percent beneficiary option described in
5 paragraph (2) of subdivision (a) of Section 24300.1.

6 (4) A member who elected Option 8 may elect ~~the compound~~
7 ~~option described in paragraph (4) of subdivision (a) of Section~~
8 ~~24300.1 or an option described in paragraphs (1), (2), or (3) in~~
9 ~~this subdivision.~~ *to have any designated percentage of their*
10 *unmodified allowance changed in accordance with paragraph*
11 *(1), (2), or (3).*

12 (5) The election ~~of~~ *by* a member under this section is made on
13 or after January 1, 2007, and prior to July 1, 2007.

14 (6) The member designates the same beneficiary that was
15 designated under the prior option ~~election of the member~~ *elected*
16 *by the member, if the option and beneficiary designation were*
17 *effective on or before December 31, 2006.*

18 (7) ~~The member and the option beneficiary is~~ *are* not afflicted
19 with a known terminal illness and the member declares, under
20 penalty of perjury under the laws of this state, that to the best of
21 his or her knowledge, *he or she and the option beneficiary is* *are*
22 not afflicted with a known terminal illness.

23 (8) The option beneficiary has not predeceased the member as
24 of the effective date of the change in the option ~~of~~ *by* the
25 member.

26 (b) The change in the option ~~of~~ *by* the member shall be
27 effective on the date the election is signed, provided that the
28 election is on a properly executed form provided by the system
29 and that election is received at the system's headquarters office
30 as described in Section 22375 within 30 days after the date the
31 election is signed.

32 (c) *After receipt of a member's election document, the system*
33 *shall mail an acknowledgment notice to the member that sets*
34 *forth the new option elected by the member.*

35 (d) *If the member and the option beneficiary are alive and not*
36 *afflicted with a known terminal illness, a member may cancel the*
37 *election to change options and elect to receive the benefit*
38 *according to the preexisting option election. After cancellation,*
39 *the member may elect to make a one-time change from the*
40 *preexisting option to any other option provided by and subject to*

1 *the restrictions of paragraph (1), (2), (3), or (4) of subdivision*
2 *(a). The cancellation or the cancellation and one-time change*
3 *shall be made on a properly executed form provided by the*
4 *system and shall be received at the system's headquarters office*
5 *as described in Section 22375 no later than 30 calendar days*
6 *following the date of mailing of the acknowledgment notice. If the*
7 *member elects to make the one-time change provided by this*
8 *subdivision, the change shall be effective as of the member's*
9 *signature date on the initial election to change.*

10 *(e) If the system is unable to mail an acknowledgment notice*
11 *to the member on or before June 1, 2007, or prior to the end of*
12 *the election period, provided that the member and the option*
13 *beneficiary are alive and not afflicted with a known terminal*
14 *illness, the system shall allow a member to cancel the election to*
15 *change options and elect to receive the benefit according to the*
16 *preexisting option election. After cancellation, the member may*
17 *elect to make a one-time change from the preexisting option to*
18 *any other option provided by and subject to the restrictions of*
19 *paragraph (1), (2), (3), or (4) of subdivision (a). The cancellation*
20 *or the cancellation and one-time change may be made after the*
21 *end of the election period if it is made on a properly executed*
22 *form provided by the system and is received at the system's*
23 *headquarters office as described in Section 22375 no later than*
24 *30 days following the date of the acknowledgment notice. If the*
25 *member elects to make the one-time change provided by this*
26 *subdivision, the change shall be effective as of the member's*
27 *signature date on the initial election to change.*

28 *(f) If the member elects to change his or her option as*
29 *described in subdivision (a), the retirement allowance of the*
30 *member shall be modified in a manner determined by the board*
31 *to prevent any additional liability to the plan.*

32 *(g) The member shall not change options in derogation of a*
33 *spouse's or former spouse's community property rights as*
34 *specified in a court order.*

35 SEC. 34. Section 24300.6 of the Education Code is amended
36 to read:

37 24300.6. (a) Any retired member who was unmarried and not
38 in a registered domestic partnership on the effective date of
39 retirement who did not elect an option pursuant to Section 24300
40 or 24300.1, and who thereafter marries or registers in a domestic

1 partnership, may, after the effective date of the member's
2 retirement under this part, elect an option ~~described in paragraphs~~
3 ~~(1) to (6), inclusive, of subdivision (a) of Section 24300, or an~~
4 ~~option~~ described in paragraph (1), (2), or (3) of subdivision (a) of
5 Section 24300.1, naming his or her new spouse or registered
6 domestic partner as the option beneficiary, subject to all of the
7 following:

8 (1) The retired member shall have been married or registered
9 in a domestic partnership for at least one year prior to making the
10 election of the option.

11 (2) The retired member shall notify the board, in writing on a
12 properly executed form provided by the system, of the election of
13 the option and the designation of the member's new spouse or
14 registered domestic partner as the option beneficiary.

15 (3) The election of an option under this section is subject to
16 approval by the board. A retired member may not elect a joint
17 and survivor option that would result in any additional liability to
18 the retirement fund. A retired member may not elect ~~Option 8~~
19 ~~described in Section 24300~~ or the compound option described in
20 paragraph (4) of subdivision (a) of Section 24300.1.

21 (4) The election shall be effective six months after the date the
22 notification is received by the board, provided that both the
23 retired member and the retired member's designated spouse or
24 registered domestic partner are then living. *If the effective date of*
25 *the new option election is on or after January 1, 2007, at the time*
26 *of the new election the retired member shall elect an option from*
27 *the options described in Section 24300.1.*

28 (b) The election of the option and designation of the option
29 beneficiary under this section shall result in an actuarial
30 modification of the member's retirement allowance that shall be
31 payable through the life of the member and the member's new
32 spouse or registered domestic partner. Modification of the
33 member's retirement allowance pursuant to this section shall be
34 based on the ages of the retired member and the retired member's
35 new spouse or registered domestic partner as of the effective date
36 of the election.

37 SEC. 35. Section 24301 of the Education Code is amended to
38 read:

39 24301. (a) A member who has filed an application under this
40 part for a disability retirement pursuant to Chapter 26

1 (commencing with Section 24100) may elect, as provided in
2 Section 24300 or 24300.1 to receive an actuarially modified
3 disability retirement allowance. After receipt of a disability
4 retirement application from a member, the board shall mail an
5 acknowledgment notice to the member. A 30-day period shall
6 commence with the mailing of the acknowledgment, during
7 which time the member may change the option election made on
8 the disability retirement application.

9 (b) The option shall become effective on the effective date of
10 the disability retirement allowance. The modification of the
11 disability retirement allowance under the option elected shall be
12 based on the ages of the retired member and the designated
13 option beneficiary as of the effective date of the disability
14 retirement. The modification shall be applicable only to the
15 disability retirement allowance payable pursuant to subdivision
16 (a) of Section 24106.

17 (c) The elected option may not be revoked or changed after the
18 later of the effective date of the disability retirement allowance or
19 30 days after the mailing of the acknowledgment notice pursuant
20 to this section.

21 (d) If a member dies prior to electing an unmodified allowance
22 or an option, the death benefits shall be payable under Chapter 23
23 (commencing with Section 23850), regardless of whether the
24 disability retirement application is or would have been approved.

25 SEC. 36. Section 24302 of the Education Code is amended to
26 read:

27 24302. Upon termination of a service retirement allowance
28 pursuant to Section 24208, any option elected pursuant to Section
29 24300 or 24300.1 and in effect at the time of reinstatement shall
30 be considered to be a preretirement election of an option elected
31 as of the effective date of that retirement and shall be subject to
32 the same provisions as an option elected under Section 24307.

33 SEC. 37. Section 24303 of the Education Code is amended to
34 read:

35 24303. Termination of the service retirement allowance
36 pursuant to Section 24208 shall not cancel an option elected
37 under the provisions of Section 24300, 24300.1, or 24307. The
38 option elected shall remain in effect, unchanged, and shall be
39 reapplied to the allowance payable upon the subsequent service
40 retirement. The effective date of the option shall be considered

1 the effective date of the terminated service retirement allowance
2 as described in Section 24302.

3 SEC. 38. Section 24305 of the Education Code is amended to
4 read:

5 24305. (a) An option elected under Section 24300 or 24300.1
6 may be canceled by a retired member if the option beneficiary is
7 the retired member's spouse or former spouse and a final decree
8 of dissolution of marriage or a judgment of nullity has been
9 entered or an order of separate maintenance has been made on or
10 after January 1, 1978, by a court of competent jurisdiction. A
11 retired member may cancel the option before or after issuance of
12 the first retirement allowance payment.

13 (b) The retired member shall notify the board in writing of
14 cancellation of the option. Notification shall not be earlier than
15 the effective date of the decree, judgment, or order and shall
16 include a certified copy of the final decree of dissolution, or
17 judgment of nullity, or an order of separate maintenance, and any
18 property settlement agreement.

19 (c) Upon notification to the board, the retired member may
20 elect (1) to receive the unmodified retirement allowance from the
21 date of receipt of the notification; or (2) a new joint and survivor
22 option under Section 24300.1 and may designate ~~a one or~~
23 ~~multiple~~ new option ~~beneficiary~~ *beneficiaries*. Modification of
24 the retirement allowance because of the newly elected option or
25 newly designated beneficiary *or beneficiaries* shall be based on
26 the ages of the retired member and the new option beneficiary *or*
27 *beneficiaries* as of the effective date of the new option. The
28 election of a new joint and survivor option or the designation of a
29 new option beneficiary *or beneficiaries* shall be consistent with
30 the final decree of dissolution, judgment of nullity, order of
31 separate maintenance, or property settlement agreement, and
32 shall not result in any additional liability to the Teachers'
33 Retirement Fund. The effective date of the change shall be the
34 date notification is received by the board.

35 SEC. 39. Section 24305.3 of the Education Code, as added by
36 Section 39 of Chapter 1021 of the Statutes of 2000, is amended
37 to read:

38 24305.3. (a) A member who is receiving a joint and survivor
39 annuity under the Defined Benefit Supplement Program may
40 change the annuity or the annuity beneficiary elected pursuant to

1 Section 25011, 25011.1, 25018, or 25018.1, provided all of the
2 following conditions are met:

3 (1) The annuity beneficiary is the member's spouse or former
4 spouse.

5 (2) A final decree of dissolution of marriage is granted, or a
6 judgment of nullity is entered, or an order of separate
7 maintenance is made by a court of competent jurisdiction with
8 respect to the member and the spouse or former spouse on or
9 after the beginning of the initial plan year designated by the
10 board pursuant to Section 22156.05.

11 (3) The change is consistent with the final decree of
12 dissolution, judgment of nullity, or order of separate
13 maintenance.

14 (b) A member may change the annuity pursuant to subdivision
15 (a) before or after the first annuity payment is issued.

16 (c) The member shall notify the system in writing of the
17 change in the annuity. The notification shall not be earlier than
18 the effective date of the final decree of dissolution, judgment of
19 nullity, or order of separate maintenance and shall include a
20 certified copy of the final decree of dissolution, judgment of
21 nullity, or order of separate maintenance, and any property
22 settlement agreement.

23 (d) A change in the annuity or annuity beneficiary or both
24 shall become effective on the date the notification of change is
25 received by the system. The annuity amount payable to the
26 member upon the change elected by the member shall be
27 determined as of the effective date of the change and shall be the
28 actuarial equivalent of the lump sum that would otherwise be
29 payable to the member as of the date of the change. If the
30 member elects a joint and survivor annuity, the amount payable
31 under the annuity shall be modified consistent with the annuity
32 elected by the member.

33 SEC. 40. Section 24305.5 of the Education Code is amended
34 to read:

35 24305.5. (a) An option elected under Section 24300 or
36 24300.1 may be canceled by a retired member if the option
37 beneficiary is not the retired member's spouse or former spouse.
38 A retired member may cancel the option before or after issuance
39 of the first retirement allowance payment and shall designate his
40 or her spouse as the new option beneficiary and the same or a

1 different joint and survivor option described in Section ~~24300 or~~
2 24300.1.

3 (b) The retired member shall notify the board, in writing on a
4 properly executed form provided by the system, of the
5 designation of the new option beneficiary. Notification shall
6 include a certified copy of the marriage certificate and a properly
7 executed form for the change.

8 (c) The effective date of the new election shall be six months
9 following the date notification is received by the board, provided
10 both the retired member and the new designated option
11 beneficiary are then living. *If the effective date of the new option*
12 *election is on or after January 1, 2007, at the time of the new*
13 *election the retired member shall elect an option from the options*
14 *described in Section 24300.1.*

15 ~~(d) The selection of the new option beneficiary and the new~~
16 ~~option~~

17 *(d) The election of the option and designation of the option*
18 *beneficiaries under this section and Section ~~24300 or~~ 24300.1*
19 *shall be subject to a further an actuarial modification of the*
20 *modified retirement allowance. In no event may a retired*
21 *member elect a joint and survivor option that would result in any*
22 *additional liability to the fund. A retired member may not elect*
23 ~~Option 8 described in Section 24300 or~~ the compound option
24 described in paragraph (4) of subdivision (a) of Section 24300.1.
25 Modification of the retirement allowance because of the new
26 option beneficiary and the new option shall be based on the ages
27 of the retired member and the new option beneficiary as of the
28 effective date of the new election.

29 SEC. 41. Section 24306 of the Education Code is amended to
30 read:

31 24306. (a) (1) If an option beneficiary designated in the
32 election of an Option 2, Option 3, Option 4, or Option 5 *as*
33 *described in Section 24300* predeceases the retired member, the
34 retired member may elect a new joint and survivor option
35 described in paragraphs (1) to (4), inclusive, of subdivision (a) of
36 Section 24300.1 and designate ~~a new option beneficiary~~ *one or*
37 *multiple new option beneficiaries.*

38 (2) If an option beneficiary designated in the election of
39 Option 2, Option 3, Option 4, or Option 5 ~~described in~~ *within*
40 Option 8, predeceases the member, the member may elect a new

1 joint and survivor option described in paragraph (1), (2), or (3) of
2 subdivision (a) of Section 24300.1 and designate a new option
3 beneficiary for the portion ~~that was payable to~~ *of the retirement*
4 *allowance that was modified for* the prior option beneficiary. The
5 member may not elect the compound option described in
6 paragraph (4) of subdivision (a) of Section 24300.1.

7 (3) The effective date of the change shall be six months
8 following the date notification is received by the board, provided
9 both the retired member and the designated option beneficiary
10 are then living. Notification shall include proof of death of the
11 predeceased beneficiary and a properly executed form provided
12 by the system. *If the effective date of the new option election is*
13 *on or after January 1, 2007, at the time of the new election the*
14 *retired member shall elect an option from the options described*
15 *in Section 24300.1.*

16 (4) The election of the new joint and survivor option under
17 this subdivision and Section 24300.1 is subject to ~~a further~~ *an*
18 actuarial modification of the ~~modified~~ retirement allowance. In
19 no event may a retired member elect a joint and survivor option
20 that would result in any additional liability to the fund.

21 (b) If an option beneficiary designated in the election of an
22 Option 6 or Option 7 or in the election of Option 6 or Option 7
23 ~~under~~ *within* Option 8, pursuant to Section 24300 ~~or 24307~~
24 predeceases the retired member, that portion of the retirement
25 allowance attributable to Option 6 or Option 7 without
26 modification for the option shall be payable to the retired
27 member upon notification to the board and shall commence to
28 accrue to the retired member as of the day following the date of
29 the death of the option beneficiary. Notification to the board shall
30 include proof of death of the beneficiary ~~and a properly executed~~
31 ~~form provided by the system.~~

32 (e) ~~If a designated option beneficiary in an option election~~
33 ~~pursuant to~~

34 (c) *If an option beneficiary designated in the election of an*
35 *option pursuant to paragraphs (1) to* ~~(4)~~ *(3), inclusive, of*
36 *subdivision (a) of Section 24300.1 or Section 24307 predeceases*
37 *the member, that portion of the retirement allowance attributable*
38 *to the option without modification for the option elected shall be*
39 *payable to the member. The member shall notify the board on a*
40 *properly executed form provided by the system of the death of*

1 ~~the option beneficiary and provide proof of death of that option~~
2 ~~beneficiary. The payment of the retirement allowance without~~
3 ~~modification shall be effective as of the day following the date of~~
4 ~~death of the option beneficiary. upon notification to the board~~
5 ~~and shall commence to accrue to the retired member as of the~~
6 ~~day following the date of the death of the option beneficiary.~~
7 ~~Notification to the board shall include proof of death of the~~
8 ~~beneficiary.~~

9 SEC. 42. Section 24306.7 of the Education Code is amended
10 to read:

11 24306.7. (a) Any member who retired for service under
12 Option 4 or Option 5 with an effective date prior to January 1,
13 1991, may elect to change Option 4 to Option 6 or Option 5 to
14 Option 7 if all of the following conditions are met:

15 (1) The election is made during the three-month period
16 commencing January 1, 1999, and ending March 31, 1999.

17 (2) The same beneficiary under Option 4 or Option 5 is named
18 as beneficiary under Option 6 or Option 7.

19 (3) The change in options is consistent with Sections 22453
20 and 24305.

21 (4) The option beneficiary is not afflicted with any known
22 terminal illness.

23 (5) The option beneficiary has not predeceased the retired
24 member as of the effective date of the change in option.

25 (6) The election to change the option under this section is
26 received at the system's headquarters office as described in
27 Section 22375 at least 30 days prior to the death of the option
28 beneficiary.

29 (b) Failure to satisfy all of the conditions in subdivision (a)
30 shall render the change of election invalid.

31 (c) The change in options under this section shall be effective
32 on the date the election is signed, provided all the conditions set
33 forth in subdivision (a) are satisfied and the election is received
34 at the system's headquarters office, as established pursuant to
35 Section 22375, within 30 days after the date of the signature.

36 (d) ~~The selection~~ *election* of a new joint and survivor option
37 under this section is subject to a further modification of the
38 modified retirement allowance. In no event may a retired
39 member elect a joint and survivor option that would result in any
40 additional liability to the fund.

1 SEC. 43. Section 24307 of the Education Code is amended to
2 read:

3 24307. (a) A member who qualifies to apply for retirement
4 under Section 24201 or 24203 may make a preretirement election
5 of an option, as provided in Section ~~24300~~ or 24300.1 without
6 right of revocation or change after the effective date of
7 retirement, except as provided in this part. The preretirement
8 election of an option shall become effective as of the date of the
9 member's signature on a properly executed form prescribed by
10 the system, subject to the following requirements:

11 (1) The form includes the signature of the member's spouse or
12 registered domestic partner, if applicable, the signature is dated,
13 and the date of the signature is within 30 days of the member's
14 signature.

15 (2) The date the form is received at the system's headquarters
16 office, as established pursuant to Section 22375, is within 30
17 days of the date of the member's signature and within 30 days of
18 the date of the spouse or registered domestic partner's signature,
19 if applicable.

20 (b) A member who makes a preretirement election of an
21 Option 2, Option 3, Option 4, Option 5, Option 6, or Option 7
22 pursuant to Section 24300, or an election as described in
23 paragraph (1), (2), or (3) of Section 24300.1 may subsequently
24 make a preretirement election of the compound option described
25 in paragraph (4) of subdivision (a) of Section 24300.1. The
26 member may retain the same option and the same option
27 beneficiary as named in the prior preretirement election, ~~as an~~
28 ~~option under Option 8 for a designated percentage within the~~
29 *compound option.*

30 (c) Upon the member's death prior to the effective date of
31 retirement, the beneficiary who was designated under the option
32 elected and who survives shall receive an allowance calculated
33 under the option, under the assumption that the member retired
34 for service pursuant to Chapter 27 (commencing with Section
35 24201) on the date of death. The payment of the allowance to the
36 option beneficiary shall be in lieu of the family allowance
37 provided in Section 23804, the payment provided in paragraph
38 (1) of subdivision (a) of Section 23802, the survivor benefit
39 allowance provided in Section 23854, and the payment provided
40 in subdivisions (a) and (b) of Section 23852, except that if the

1 beneficiary dies before all of the member's accumulated
2 retirement contributions are paid, the balance, if any, shall be
3 paid to the estate of the person last receiving or entitled to
4 receive the allowance. The accumulated annuity deposit
5 contributions and the death payment provided in Sections 23801
6 and 23851 shall be paid to the beneficiary in a lump sum.

7 (d) If the member subsequently retires for service, and the
8 elected option has not been canceled pursuant to Section 24309,
9 a modified service retirement allowance computed under Section
10 24300 or 24300.1 and the option elected shall be paid.

11 (e) The amount of the service retirement allowance prior to
12 applying the option factor shall be calculated as of the earlier of
13 the member's age at death before retirement or age on the last
14 day of the month in which the member requested service
15 retirement be effective. The modification of the service
16 retirement allowance ~~under~~ by the option elected shall be based
17 on the ages of the member and the beneficiary designated under
18 the option, as of the date the election was signed.

19 (f) A member who terminates the service retirement allowance
20 pursuant to Section 24208 shall not be eligible to file a
21 preretirement election of an option until one calendar year
22 elapses from the date the allowance is terminated.

23 (g) The system shall inform members who are qualified to
24 make a preretirement election of an option, through the annual
25 statements of account, that the election of an option can be made.

26 SEC. 44. Section 24309 of the Education Code is amended to
27 read:

28 24309. (a) A member may cancel the election of an option
29 made pursuant to Section 24307, providing cancellation is on a
30 properly executed form provided by the system and received by
31 the board on or before the day preceding the effective date of
32 retirement under this part or during the period between
33 termination of the retirement allowance pursuant to Section
34 24208 or 24117 and the effective date of the subsequent
35 retirement under this part. Regardless of how the member elects
36 to receive his or her retirement allowance, that allowance shall be
37 reduced by an amount determined by the board to be the actuarial
38 equivalent of the coverage the member received as a result of the
39 preretirement election and that does not result in any adverse
40 funding to the plan.

1 (b) If the option beneficiary designated in the preretirement
 2 election of an option pursuant to Section 24307 dies prior to the
 3 member's retirement, the preretirement election shall be canceled
 4 as of the day following the date of death and the member's
 5 subsequent retirement allowance under this part shall be subject
 6 to the allowance reduction prescribed in this section.

7 (c) If the option elected pursuant to Section 24307 is *Option 8*
 8 *as described in paragraph (7) of subdivision (a) of Section 24300*
 9 *or the compound option as described in paragraph (4) of*
 10 *subdivision (a) of Section 24300.1, a member may cancel the*
 11 *designation of an option beneficiary. If the member cancels the*
 12 *designation of the option beneficiary or the option beneficiary*
 13 *predeceases the member prior to the member's retirement, the*
 14 *member may elect to receive—a that portion of the retirement*
 15 *allowance without modification for the option or elect—a one or*
 16 *multiple new or existing option—beneficiary beneficiaries as*
 17 *described in Section 24307 for the portion that was payable to the*
 18 *prior option beneficiary. in Section 24307.*

19 SEC. 45. Section 24312.1 is added to the Education Code, to
 20 read:

21 24312.1. (a) A member who has a preretirement election of
 22 an option in effect on December 31, 2006, pursuant to paragraphs
 23 (1) to (6), inclusive, of subdivision (a) of Section 24300 may
 24 change his or her preretirement election to an option described in
 25 paragraph (1), (2), or (3) of subdivision (a) of Section 24300.1
 26 without the allowance reduction described in Sections 24309 and
 27 24310, provided the change is made on or after January 1, 2007,
 28 and prior to July 1, 2007.

29 (b) A member who ~~elects a preretirement Option 8~~ *has a*
 30 *preretirement election of Option 8 as described in Section 24300*
 31 *in effect on December 31, 2006, and in that Option 8 election*
 32 *elects has an option pursuant to paragraphs (1) to (6), inclusive,*
 33 *of subdivision (a) of Section 24300, may change any of the*
 34 *options under paragraphs (1) to (6), inclusive, of subdivision (a)*
 35 *of Section 24300 to an option described in paragraph (1), (2), or*
 36 *(3) of subdivision (a) of Section 24300.1 without the allowance*
 37 *reduction described in Sections 24309 and 24310, if change is*
 38 *made on or after January 1, 2007, and prior to July 1, 2007. A*
 39 *member may not change the portion of the unmodified benefit*
 40 *that would be modified pursuant to that prior option.*

1 (c) The election to change the option—of *by* a member as
2 described in this section shall be subject to all of the following:

3 (1) The member may not change the option beneficiary that
4 was designated in the prior preretirement option election.

5 (2) The change in options under this section shall be effective
6 on the date the election is signed, provided that the election is *on*
7 *a properly executed form provided by the system and* received at
8 the system's headquarters office, as described in Section 22375,
9 within 30 days of the date of the signature.

10 (d) If the member elects to change options as described in this
11 section, the age of the member and the option beneficiary on the
12 effective date of the prior preretirement option election shall be
13 the age used to calculate the member's benefit at the time of
14 retirement.

15 SEC. 46. Section 24402 of the Education Code is amended to
16 read:

17 24402. (a) Service retirement allowances, disability
18 allowances, disability retirement allowances, family allowances,
19 and survivor benefit allowances payable pursuant to this part
20 shall be increased by application of the benefit improvement
21 factor.

22 (b) Allowances payable to beneficiaries on account of options
23 elected under Section 24300, 24300.1, 24301, or 24307 shall be
24 increased by application of the improvement factor. This factor
25 shall be applicable on the same date when it would have been
26 applied to the allowance of the deceased person.

27 (c) The benefit improvement factor shall not be applied to an
28 annuity that is the actuarial equivalent of the accumulated
29 annuity deposit contributions standing to the credit of the
30 member's account on the effective date of a service or disability
31 retirement.

32 SEC. 47. Section 24703 of the Education Code is amended to
33 read:

34 24703. Persons who select to be covered only by the Defined
35 Benefit Program and already have credit for classified or other
36 noncertificated service in the San Francisco system shall not have
37 that credit transferred to the Defined Benefit Program.

38 SEC. 48. Section 24704 of the Education Code is amended to
39 read:

1 24704. The San Francisco Employees' Retirement System
2 shall provide concurrent retirement benefits for classified and
3 other noncertificated service in the San Francisco system
4 according to the provisions applicable to miscellaneous
5 employees of the time of the concurrent retirement for:

6 (a) Members of that system who transfer to the Defined
7 Benefit Program after June 30, 1972.

8 (b) Persons who were members of both the San Francisco
9 system and the Defined Benefit Program on June 30, 1972.

10 (c) A person who could have qualified under subdivision (b) if
11 he or she had not taken a refund from either the San Francisco
12 system or the Defined Benefit Program, but not both, provided
13 the person qualifies for and redeposits prior to retirement.

14 SEC. 49. Section 24705 of the Education Code is amended to
15 read:

16 24705. Notwithstanding the provisions in Section 24201, a
17 member of the San Francisco system may retire concurrently and
18 receive credit for service performed in other states of the United
19 States, its territories and possessions, and in Canada.

20 *SEC. 49.5. Section 24976 of the Education Code is amended*
21 *to read:*

22 24976. (a) (1) The Teachers' Deferred Compensation Fund
23 is hereby established to serve as the repository of funds ~~for the~~
24 ~~deferred compensation plans administered~~ *received* by the system
25 pursuant to this chapter. ~~Notwithstanding, Chapter 36~~
26 *(commencing with Section 24950) or Chapter 39 (commencing*
27 *with Section 25100).*

28 (2) *Premium and fee revenues received by the system pursuant*
29 *to Chapter 36 (commencing with Section 24950) shall be*
30 *deposited into the 403(b) Services Operating Account within the*
31 *Teachers' Deferred Compensation Fund, and shall only be used*
32 *to carry out the purposes of that chapter.*

33 (3) *Premium and fee revenues received by the system pursuant*
34 *to this chapter shall be deposited into the Deferred*
35 *Compensation Services Operating Account within the Teachers'*
36 *Deferred Compensation Fund, and shall only be used to carry*
37 *out the purposes of this chapter.*

38 (4) *Compensation deferrals received by the system pursuant to*
39 *this chapter shall be deposited into the Deferred Compensation*
40 *Investment Account within the Teachers' Deferred Compensation*

1 *Fund, and shall only be used to carry out the purposes of this*
2 *chapter.*

3 (5) *Fee revenues received by the system pursuant to Chapter*
4 *39 (commencing with Section 25100) shall be deposited into the*
5 *403(b) Vendor Registry Operating Account within the Teachers'*
6 *Deferred Compensation Fund, and shall only be used to carry*
7 *out the purposes of that chapter.*

8 (6) *Notwithstanding Section 13340 of the Government Code,*
9 *all moneys in the Teachers' Deferred Compensation Fund shall*
10 *be continuously appropriated without regard to fiscal year to*
11 *carry out the purposes of this chapter, Chapter 36 (commencing*
12 *with Section 24950), and Chapter 39 (commencing with Section*
13 *25100).*

14 (b) *With respect to deferred compensation plans administered*
15 *pursuant to this chapter, and notwithstanding any other provision*
16 *of law, the system may retain a bank or trust company, or a credit*
17 *union, to serve as custodian of the moneys of the Teachers'*
18 *Deferred Compensation Fund and to provide for safekeeping,*
19 *recordkeeping, delivery, securities valuation, or investment*
20 *performance reporting services, or services in connection with*
21 *investment of the Teachers' Deferred Compensation Fund.*

22 ~~(b) The~~

23 (c) *With respect to deferred compensation plans administered*
24 *pursuant to this chapter, the Teachers' Deferred Compensation*
25 *Fund shall consist of the following sources and receipts, and*
26 *disbursements shall be accounted for as set forth below:*

27 (1) *Premiums determined by the system and paid by*
28 *participating employers and employees for the cost of*
29 *administering the deferred compensation plan.*

30 (2) *Asset management fees as determined by the system*
31 *assessed against investment earnings of investment option or of*
32 *other investment funds. These fees shall be disclosed to*
33 *employees participating in the deferred compensation plan.*

34 (3) *Compensation deferrals to be paid in monthly installments*
35 *by employers sponsoring deferred compensation plans described*
36 *in Section 24975 for investment by the system. The moneys shall*
37 *be deposited in the investment corpus account within the*
38 *Teachers' Deferred Compensation Fund and invested in*
39 *accordance with the investment options selected by the*
40 *participating employee.*

1 (4) ~~All moneys in the Teachers' Deferred Compensation Fund~~
 2 ~~for disbursement to participating employees shall be~~
 3 ~~continuously appropriated without regard to fiscal year.~~
 4 Disbursements to participating employees shall be paid from a
 5 disbursement account within the Teachers' Deferred
 6 Compensation Fund in accordance with applicable federal law
 7 pertaining to deferred compensation plans.

8 (5) Income, of whatever nature, earned on the Teachers'
 9 Deferred Compensation Fund shall be credited to the appropriate
 10 account. The accounts of participating employees of the
 11 employer shall be individually posted to reflect amounts of
 12 compensation deferred and investment gains and losses. A
 13 periodic statement shall be given to each participating employee.

14 (6) The system shall have exclusive control of the
 15 administration and investment of the Teachers' Deferred
 16 Compensation Fund.

17 (7) All of the system's costs of administering the deferred
 18 compensation plans *pursuant to this chapter* shall be recovered
 19 from the employees who participate in the plans or assets of the
 20 Teachers' Deferred Compensation Fund in a manner acceptable
 21 to the board.

22 SEC. 50. Section 25009 of the Education Code is amended to
 23 read:

24 25009. (a) A member's retirement benefit under the Defined
 25 Benefit Supplement Program shall be an amount equal to the
 26 balance of credits in the member's Defined Benefit Supplement
 27 account on the date the retirement benefit becomes payable.

28 (b) A retirement benefit shall be a lump-sum payment, or an
 29 annuity payable in monthly installments, or a combination of
 30 both a lump-sum payment and an annuity, as elected by the
 31 member on the application for a retirement benefit. Any
 32 retirement benefit paid as an annuity under this chapter shall be
 33 subject to Section 25011 or 25011.1.

34 (c) Upon distribution of the entire retirement benefit in a
 35 lump-sum payment, no other benefit shall be payable to the
 36 member or the member's beneficiary under the Defined Benefit
 37 Supplement Program.

38 SEC. 51. Section 25011 of the Education Code is amended to
 39 read:

1 25011. (a) A member or nonmember spouse may elect to
2 receive the retirement benefit as an annuity payable in monthly
3 installments, provided the balance of credits in the member's or
4 nonmember spouse's respective Defined Benefit Supplement
5 account on the date the retirement benefit becomes payable
6 equals at least three thousand five hundred dollars (\$3,500) after
7 any lump-sum payments have been made from the account.

8 (b) If the member elects to receive the retirement benefit as an
9 annuity, the member shall elect one of the following forms of
10 payment:

11 (1) A single life annuity without a cash refund feature. This
12 form of payment is the actuarial equivalent of the amount that
13 would be payable to the member if the member elected to receive
14 the retirement benefit in a lump-sum payment. Upon the death of
15 the member, no other benefit shall be payable to the member's
16 beneficiary under the Defined Benefit Supplement Program.

17 (2) A single life annuity with a cash refund feature. This form
18 of payment is the actuarial equivalent of the amount that would
19 be payable to the member if the member elected to receive the
20 retirement benefit in a lump-sum payment. Upon the death of the
21 member, an amount equal to the remaining balance, if any, of
22 credits transferred from the member's Defined Benefit
23 Supplement account to the Annuitant Reserve shall be returned in
24 a lump-sum payment to the member's beneficiary.

25 (3) A 100-percent joint and survivor annuity with a "pop-up"
26 feature. This form of payment is the actuarial equivalent of the
27 lump-sum payment modified to be payable over the combined
28 lives of the member and the member's annuity beneficiary. Upon
29 the death of the member, the same monthly amount that was
30 payable to the member shall be paid monthly to the member's
31 surviving annuity beneficiary. However, if the annuity
32 beneficiary predeceases the member, the annuity payable to the
33 member shall be the single life annuity with a cash refund feature
34 that would have been payable had the member ~~selected~~ *elected*
35 that form of payment at the commencement of the benefit. That
36 single life annuity shall be payable as of the day following the
37 date of the annuity beneficiary's death upon receipt by the
38 system of proof of the annuity beneficiary's death. If the annuity
39 beneficiary predeceases the member, ~~the member may designate~~
40 *a and the member designates a new option beneficiary pursuant*

1 to Section 24300, the new option beneficiary shall be the new
2 annuity beneficiary. The effective date of the new designation
3 shall be six months following the date notification, on a properly
4 executed form, is received by the board, provided both the
5 member and the new-designated annuity beneficiary are then
6 living. The selection of the new annuity beneficiary under this
7 paragraph is subject to an actuarial modification of the single life
8 annuity with a cash refund feature and may not result in any
9 additional liability to the fund. The new annuity beneficiary may
10 not be an existing *annuity* beneficiary.

11 (4) A 50-percent joint and survivor annuity with a “pop-up”
12 feature. This form of payment is the actuarial equivalent of the
13 lump-sum payment modified to be payable over the combined
14 lives of the member and the member’s annuity beneficiary. Upon
15 the death of the member, one-half of the monthly amount that
16 was payable to the member shall be paid monthly to the
17 member’s surviving annuity beneficiary. However, if the annuity
18 beneficiary predeceases the member, the annuity payable to the
19 member shall be the single life annuity with a cash refund feature
20 that would have been payable had the member-selected *elected*
21 that form of payment at the commencement of the benefit. That
22 single life annuity shall be payable as of the day following the
23 date of the annuity beneficiary’s death upon receipt by the
24 system of proof of the annuity beneficiary’s death. If the annuity
25 beneficiary predeceases the member, ~~the member may designate~~
26 *a and the member designates a new option beneficiary pursuant*
27 *to Section 24300, the new option beneficiary shall be the new*
28 *annuity beneficiary.* The effective date of the new designation
29 shall be six months following the date notification, on a properly
30 executed form, is received by the board, provided both the
31 member and the new-designated annuity beneficiary are then
32 living. The selection of the new annuity beneficiary under this
33 paragraph is subject to an actuarial modification of the single life
34 annuity with a cash refund feature and may not result in any
35 additional liability to the fund. The new annuity beneficiary may
36 not be an existing annuity beneficiary.

37 (5) A period certain annuity. This form of payment is an
38 annuity equal to the actuarial equivalent of the balance of credits
39 in the member’s Defined Benefit Supplement account on the date
40 the retirement benefit becomes payable. The annuity shall be

1 payable in whole year increments over a period of years specified
2 by the member, from a minimum of three years to a maximum of
3 10 years. However, the annuity period may not exceed the life
4 expectancy of the member, or the life expectancy of the member
5 and the member's annuity beneficiary. If the member's death
6 occurs prior to the end of the period certain, the remaining
7 balance of payments shall be paid to the member's annuity
8 beneficiary pursuant to Section 25022.

9 (c) If a nonmember spouse elects to receive the retirement
10 benefit as an annuity, the nonmember spouse shall elect the form
11 of payment specified in paragraph (1), (2), or (5) of subdivision
12 (b) and, in those paragraphs, references to a "member" shall
13 apply to the nonmember spouse.

14 (d) On or after January 1, 2007, a member may not make a
15 new election ~~for an option or of a joint and survivor annuity~~
16 described in subdivision ~~(a)~~ (b), *except as provided by*
17 *subdivision (e) of Section 25011.1.*

18 (e) *Any member with a retirement effective on or after January*
19 *1, 2007, shall elect an annuity from the annuities described in*
20 *Section 25011.1.*

21 SEC. 52. Section 25011.1 is added to the Education Code, to
22 read:

23 25011.1. (a) A member may elect to receive the retirement
24 benefit as an annuity payable in monthly installments, provided
25 the balance of credits in the member's Defined Benefit
26 Supplement account on the date the retirement benefit becomes
27 payable equals at least three thousand five hundred dollars
28 (\$3,500) after any lump-sum payments have been made from the
29 account. If the member elects to receive the retirement benefit as
30 an annuity, the member shall elect one of the following forms of
31 payments:

32 (1) Member only annuity. This is a single life annuity with a
33 cash refund feature that is the actuarial equivalent of the amount
34 that would be payable to the retired member if the member
35 elected to receive the retirement benefit in a lump-sum payment.
36 Upon the death of the member, an amount equal to the remaining
37 balance of credits, *if any*, transferred from the member's Defined
38 Benefit Supplement account to the annuitant reserve shall be
39 returned in a lump-sum payment to the beneficiary of the
40 member.

1 (2) One hundred percent beneficiary annuity. This is a joint
2 and survivor annuity that is the actuarial equivalent of the
3 lump-sum payment modified to be payable over the combined
4 lives of the member and the member's annuity beneficiary *or*
5 *beneficiaries*. Upon the death of the member, 100 percent of the
6 monthly amount that was payable to the member shall be paid
7 monthly to the surviving annuity beneficiary *or beneficiaries* of
8 the member.

9 (3) Seventy-five percent beneficiary annuity. This is a joint
10 and survivor annuity that is the actuarial equivalent of the
11 lump-sum payment modified to be payable over the combined
12 lives of the member and the member's annuity beneficiary.
13 Pursuant to Section 401(a)(9) of the Internal Revenue Code,
14 ~~unless the option beneficiary is the member's spouse or former~~
15 ~~spouse who has been awarded a community property interest in~~
16 ~~the member's benefits under this part, the member may not~~
17 ~~designate an option beneficiary under this option who is more~~
18 ~~than 19 years of age younger than the member~~ *the member shall*
19 *not elect this annuity if a beneficiary is more than exactly 19*
20 *years younger than the member, unless the beneficiary is the*
21 *member's spouse or former spouse and the election is pursuant*
22 *to a determination of community property rights*. Upon the death
23 of the member, 75 percent of the monthly amount that was
24 payable to the member shall be paid monthly to the surviving
25 annuity beneficiary *or beneficiaries* of the member.

26 (4) Fifty percent beneficiary annuity. This is a joint and
27 survivor annuity that is the actuarial equivalent of the lump-sum
28 payment modified to be payable over the combined lives of the
29 member and the member's annuity beneficiary *or beneficiaries*.
30 Upon the death of the member, 50 percent of the monthly amount
31 that was payable to the member shall be paid monthly to the
32 surviving annuity beneficiary *or beneficiaries* of the member.

33 ~~(5) Compound annuity. This is a joint and survivor annuity~~
34 ~~that is the actuarial equivalent of the lump-sum payment~~
35 ~~modified to be payable over the combined lives of the member~~
36 ~~and any annuity beneficiary pursuant to Section 25015. The~~
37 ~~member's benefit will be distributed to each annuity beneficiary~~
38 ~~pursuant to paragraphs (1) to (4), inclusive, of this subdivision~~
39 ~~for the designated portion as described in Section 24300,~~
40 ~~24300.1, or 24301.~~

1 (A) The member's election of the compound annuity is subject
2 to all of the following:

3 (i) Pursuant to ~~Section 401(a)(9) of the Internal Revenue~~
4 ~~Code, if the member elects the 100 percent beneficiary annuity~~
5 ~~through his or her compound annuity election, and unless the~~
6 ~~annuity beneficiary is the member's spouse or former spouse~~
7 ~~who has been awarded a community property interest in the~~
8 ~~member's benefits under this part, the member may not designate~~
9 ~~an annuity beneficiary under this annuity who is more than 10 or~~
10 ~~more years of age younger than the member.~~

11 (ii) Pursuant to ~~Section 401(a)(9) of the Internal Revenue~~
12 ~~Code, if the member elects the 75 percent beneficiary annuity~~
13 ~~through his or her compound annuity election, and unless the~~
14 ~~annuity beneficiary is the member's spouse or former spouse~~
15 ~~who has been awarded a community property interest in the~~
16 ~~member's benefits under this part, the member may not designate~~
17 ~~an annuity beneficiary under this annuity who is more than 19~~
18 ~~years of age younger than the member.~~

19 ~~(6)~~

20 (5) A period certain annuity. This form of payment is an
21 annuity equal to the actuarial equivalent of the balance of credits
22 in the member's Defined Benefit Supplement account on the date
23 the retirement benefit becomes payable. The annuity shall be
24 payable in whole year increments over a period of years specified
25 by the member, from a minimum of three years to a maximum of
26 10 years. However, the annuity period may not exceed the life
27 expectancy of the member, or the life expectancy of the member
28 and the member's annuity beneficiary. If the member's death
29 occurs prior to the end of the period certain, the remaining
30 balance of payments shall be paid to the member's annuity
31 beneficiary pursuant to Section 25022.

32 (b) If an annuity beneficiary designated pursuant to paragraph
33 (2), (3), ~~(4), or (5)~~ *or (4)* of subdivision (a) predeceases the
34 member, ~~that portion of the annuity payable to the annuity~~
35 ~~beneficiary~~ *the annuity* shall be paid to the member as a single
36 ~~life annuity with a cash refund feature~~ *the member only annuity*
37 that would have been payable had the member ~~selected~~ *elected*
38 that form of payment at the commencement of the benefit. That
39 ~~single life member only~~ *annuity* shall be payable as of the day
40 following the date of the annuity beneficiary's death upon receipt

1 by the system of proof of the annuity beneficiary's death. If the
2 annuity beneficiary predeceases the member, ~~the member may~~
3 ~~designate a new annuity beneficiary for the portion that was~~
4 ~~payable to the prior~~ *and the member designates a new option*
5 *beneficiary pursuant to Section 24300.1, the new option*
6 *beneficiary shall be the new annuity beneficiary.* The effective
7 ~~date of the new designation~~ shall be six months following the
8 date notification is received by the board, provided both the
9 member and the new ~~designated~~ annuity beneficiary are then
10 living. Notice to the board of the death of the annuity beneficiary
11 shall be on a properly executed form provided by the system. The
12 ~~designation of the new annuity beneficiary under this paragraph~~
13 is subject to an actuarial modification *of the member only annuity*
14 and may not result in any additional liability to the fund. *The new*
15 *annuity beneficiary may not be an existing annuity beneficiary.*

16 (c) If a nonmember spouse elects to receive the retirement
17 benefit as an annuity, the nonmember spouse shall elect the form
18 of payment specified in paragraph (1) or (6) of subdivision (a)
19 and, in those paragraphs, references to a "member" shall apply to
20 the nonmember spouse.

21 (d) Notwithstanding ~~Sections~~ *Section 297 or 299.2* of the
22 Family Code, a spouse as described in paragraph (3) or (5) of
23 subdivision (a) does not include the domestic partner of the
24 member, pursuant to Section 7 of Title 1 of the United States
25 Code.

26 (e) If there is a determination of community property rights as
27 described in Chapter 12 (commencing with Section 22650) of
28 this part on or before December 31, 2006, the member may elect
29 the annuity that is required by the judgment or court order.
30 Nothing in this ~~section~~ *part* shall permit the member to change
31 the annuity to the detriment of the community property interest
32 of the nonmember spouse.

33 SEC. 53. Section 25011.5 is added to the Education Code, to
34 read:

35 25011.5. (a) A member who retired and elected an annuity
36 pursuant to Section 25011 may elect to change ~~options~~ *annuities*,
37 subject to all of the following:

38 (1) A member who elected a single life annuity with or
39 without a cash refund feature or elects a period certain annuity
40 may not change his or her annuity.

1 (2) A member who elected an annuity under paragraph (3) or
2 (4) of subdivision (a) of Section 25011 may elect an annuity
3 under paragraph (3) of subdivision (a) of Section 25011.1.

4 (3) The election ~~of~~ by the member under this section is made
5 on or after January 1, 2007, and prior to July 1, 2007.

6 (4) The member designates the same beneficiary that was
7 designated under the prior annuity election ~~of the member by the~~
8 *member, if the annuity and annuity designation was effective on*
9 *December 31, 2006.*

10 (5) The *member and the* annuity beneficiary ~~is~~ *are* not
11 afflicted with a known terminal illness and the member declares,
12 under penalty of perjury under the laws of this state, that to the
13 best of his or her knowledge, *he or she and* the annuity
14 beneficiary ~~is~~ *are* not afflicted with a known terminal illness.

15 (6) The annuity beneficiary has not predeceased the member
16 as of the effective date of the change in the annuity ~~of~~ by the
17 member.

18 (b) The change in the annuity ~~of~~ by the member shall be
19 effective on the date the election is signed, provided that the
20 election is on a properly executed form provided by the system
21 and that election is received at the system's headquarters office
22 as described in Section 22375 within 30 days after the date the
23 election is signed.

24 (c) *After receipt of a member's election document, the system*
25 *shall mail an acknowledgment notice to the member that sets*
26 *forth the new annuity elected by the member.*

27 (d) *If the member and the annuity beneficiary are alive and*
28 *not afflicted with a known terminal illness, a member may cancel*
29 *the election to change annuities and elect to receive the benefit*
30 *according to the preexisting annuity election. After cancellation,*
31 *the member may elect to make a one-time change from the*
32 *preexisting annuity to any other annuity provided by and subject*
33 *to the restrictions of paragraph (1), (2), (3), or (4) of subdivision*
34 *(a). The cancellation or the cancellation and one-time change*
35 *shall be made on a properly executed form provided by the*
36 *system and shall be received at the system's headquarters office*
37 *as described in Section 22375 no later than 30 calendar days*
38 *following the date of mailing of the acknowledgment notice. If the*
39 *member elects to make the one-time change provided by this*

1 subdivision, the change shall be effective as of the member's
2 signature date on the initial election to change.

3 (e) If the system is unable to mail an acknowledgment notice
4 to the member on or before June 1, 2007, or prior to the end of
5 the election period, provided that the member and the annuity
6 beneficiary are alive and not afflicted with a known terminal
7 illness, the system shall allow a member to cancel the election to
8 change annuities and elect to receive the benefit according to the
9 preexisting annuity election. After cancellation, the member may
10 elect to make a one-time change from the preexisting annuity to
11 any other annuity provided by and subject to the restrictions of
12 paragraph (1), (2), (3), or (4) of subdivision (a). The cancellation
13 or the cancellation and one-time change may be made after the
14 end of the election period if it is made on a properly executed
15 form provided by the system and is received at the system's
16 headquarters office as described in Section 22375 no later than
17 30 calendar days following the date of mailing of the
18 acknowledgment notice. If the member elects to make the
19 one-time change provided by this subdivision, the change shall
20 be effective as of the member's signature date on the initial
21 election to change.

22 (f) If the member elects to change his or her annuity as
23 described in subdivision (a), the annuity of the member shall be
24 modified in a manner determined by the board to prevent any
25 additional liability to the plan.

26 ~~(d)~~

27 (g) References to a "member" in paragraph (1) of subdivision
28 (a) shall apply to the nonmember spouse.

29 (h) The member shall not change annuities in derogation of a
30 spouse's or former spouse's community property rights as
31 specified in a court order.

32 SEC. 54. Section 25012 of the Education Code is amended to
33 read:

34 25012. (a) An annuity payable under the Defined Benefit
35 Supplement Program shall be determined as a value actuarially
36 equivalent to the balance of credits in the member's Defined
37 Benefit Supplement account on the date the benefit becomes
38 payable and after any lump-sum payment. If a single life annuity
39 is elected, the annuity shall be calculated using the age of the
40 member on the date the benefit becomes payable. A member may

1 elect a single life annuity only if the member did not elect to
2 receive a modified allowance pursuant to Section 24300 or
3 24300.1. If a joint and survivor annuity is elected, the annuity
4 shall be calculated using the age of the member and the age of
5 the member's beneficiary on the date the benefit becomes
6 payable. A member may elect a joint and survivor annuity only if
7 the member elected to receive a modified allowance pursuant to
8 Section 24300 or 24300.1.

9 (b) The beneficiary designation made pursuant to Section
10 24307 is not applicable to benefits payable under this chapter.

11 SEC. 55. Section 25015 of the Education Code is amended to
12 read:

13 25015. (a) If a member elects to receive a benefit payable
14 under the Defined Benefit Supplement Program as a joint and
15 survivor annuity, the designation of the beneficiary made
16 pursuant to Section 24300, ~~24300.1, or 24301~~ or 24300.1 shall
17 apply to the benefit payable under this chapter. The annuity
18 beneficiary designation shall not be changed after the date the
19 benefit becomes payable to the member, except as provided in
20 Section ~~25011, 24305.3, or 25018~~ 24305.3, 25011, 25011.1,
21 25018, or 25018.1, or Chapter 12 (commencing with Section
22 22650).

23 (b) ~~If the member designates multiple annuity beneficiaries~~
24 ~~pursuant to Section 24300, 24300.1, or 24301, the percentage of~~
25 ~~the annuity payable to each annuity beneficiary upon the death of~~
26 ~~the member specified in that designation shall apply to the~~
27 ~~benefit payable under this one or multiple option beneficiaries~~
28 ~~within Option 8 pursuant to Section 24300 or 24300.1, the~~
29 ~~percentage of the unmodified allowance attributable to each~~
30 ~~option beneficiary specified in that designation shall apply to the~~
31 ~~joint and survivor annuity payable under this chapter. The~~
32 ~~member shall elect one joint and survivor annuity type and this~~
33 ~~annuity type shall be applied the same for each beneficiary and~~
34 ~~each designated percentage of the member only annuity. If any~~
35 ~~percentage of the allowance was designated to remain~~
36 ~~unmodified, the member only annuity shall apply for the~~
37 ~~corresponding percentage of the annuity provided under this~~
38 ~~chapter. The annuity amount payable to the member during his~~
39 ~~or her lifetime shall be modified to be payable over the combined~~
40 ~~lives of the member and the annuity beneficiary or beneficiaries.~~

1 (c) If the member predeceases an annuity beneficiary, the
2 annuity beneficiary may designate, on a properly executed form
3 provided by the system, a payee to receive an amount that may
4 be payable in a lump sum pursuant to Section 25023 upon the
5 death of the annuity beneficiary.

6 SEC. 56. Section 25016 of the Education Code is amended to
7 read:

8 25016. (a) A member's disability benefit under the Defined
9 Benefit Supplement Program shall be an amount equal to the
10 balance of credits in the member's Defined Benefit Supplement
11 account on the date the disability benefit becomes payable.

12 (b) A disability benefit shall be a lump-sum payment, or an
13 annuity payable in monthly installments, or a combination of
14 both a lump-sum payment and an annuity, as elected by the
15 member on the application for a disability benefit. Any
16 retirement benefit paid as an annuity under this chapter shall be
17 subject to Section 25018 or 25018.1.

18 (c) Upon distribution of the entire disability benefit in a
19 lump-sum payment, no other benefit shall be payable to the
20 member or the member's beneficiary under the Defined Benefit
21 Supplement Program.

22 SEC. 57. Section 25018 of the Education Code is amended to
23 read:

24 25018. (a) A member may elect to receive the disability
25 benefit as an annuity, payable in monthly installments, provided
26 the balance of credits in the member's Defined Benefit
27 Supplement account on the date the disability benefit becomes
28 payable equals at least three thousand five hundred dollars
29 (\$3,500) after any lump-sum payment has been made from this
30 account.

31 (b) If the member elects to receive the disability benefit as an
32 annuity, the member shall elect one of the following forms of
33 payment:

34 (1) A single life annuity without a cash refund feature. This
35 form of payment is the actuarial equivalent of the amount that
36 would be payable to the member if the member elected to receive
37 the disability benefit in a lump-sum payment. Upon the death of
38 the member, no other benefit shall be payable to the member's
39 beneficiary under the Defined Benefit Supplement Program.

1 (2) A single life annuity with a cash refund feature. This form
2 of payment is the actuarial equivalent of the amount that would
3 be payable to the member if the member elected to receive the
4 disability benefit in a lump-sum payment. Upon the death of the
5 member, an amount equal to the remaining balance of credits, if
6 any, transferred from the member's Defined Benefit Supplement
7 account to the Annuitant Reserve shall be returned in a lump-sum
8 payment to the member's beneficiary.

9 (3) For a member receiving an allowance pursuant to Chapter
10 26 (commencing with Section 24100), a 100-percent joint and
11 survivor annuity with a "pop-up" feature. This form of payment
12 is the actuarial equivalent of the lump-sum payment modified to
13 be payable over the combined lives of the member and the
14 member's annuity beneficiary. Upon the death of the member,
15 the same monthly amount that was payable to the member shall
16 be paid monthly to the member's surviving annuity beneficiary.
17 However, if the annuity beneficiary predeceases the member, the
18 annuity payable to the member shall be the single life annuity
19 with a cash refund feature that would have been payable had the
20 member—~~selected~~ *elected* that form of payment at the
21 commencement of the benefit. That single life annuity shall be
22 payable as of the day following the date of the annuity
23 beneficiary's death upon receipt by the system of proof of the
24 annuity beneficiary's death. If the annuity beneficiary
25 predeceases the member, ~~the member may designate a~~ *and the*
26 *member designates a new option beneficiary pursuant to Section*
27 *24300, the new option beneficiary shall be the new annuity*
28 *beneficiary. The effective date of the new designation shall be six*
29 *months following the date notification, on a properly executed*
30 *form, is received by the board, provided both the member and the*
31 *new-designated annuity beneficiary are then living. The selection*
32 *of the new annuity beneficiary under this paragraph shall be*
33 *subject to an actuarial modification of the single life annuity with*
34 *a cash refund feature and shall not result in any additional*
35 *liability to the fund. The new annuity beneficiary shall not be an*
36 *existing annuity beneficiary.*

37 (4) For a member receiving an allowance pursuant to Chapter
38 26 (commencing with Section 24100), a 50-percent joint and
39 survivor annuity with a "pop-up" feature. This form of payment
40 is the actuarial equivalent of the lump-sum payment modified to

1 be payable over the combined lives of the member and the
2 member's annuity beneficiary. Upon the death of the member,
3 one-half of the monthly amount that was payable to the member
4 shall be paid monthly to the member's surviving annuity
5 beneficiary. However, if the annuity beneficiary predeceases the
6 member, the annuity payable to the member shall be the single
7 life annuity with a cash refund feature that would have been
8 payable had the member ~~selected~~ *elected* that form of payment at
9 the commencement of the benefit. That single life annuity shall
10 be payable as of the day following the date of the annuity
11 beneficiary's death upon receipt by the system of proof of the
12 annuity beneficiary's death. If the annuity beneficiary
13 predeceases the member, ~~the member may designate a~~ *and the*
14 *member designates a new option beneficiary pursuant to Section*
15 *24300, the new option beneficiary shall be the new annuity*
16 *beneficiary. The effective date of the new designation shall be six*
17 *months following the date notification, on a properly executed*
18 *form, is received by the board, provided both the member and the*
19 *new-designated annuity beneficiary are then living. The selection*
20 *of the new annuity beneficiary under this paragraph shall be*
21 *subject to an actuarial modification of the single life annuity with*
22 *a cash refund feature and shall not result in any additional*
23 *liability to the fund. The new annuity beneficiary shall not be an*
24 *existing annuity beneficiary.*

25 (5) A period certain annuity. This form of payment is an
26 annuity equal to the actuarial equivalent of the balance of credits
27 in the member's Defined Benefit Supplement account on the date
28 the disability benefit becomes payable. The annuity shall be
29 payable in whole year increments over a period of years specified
30 by the member, from a minimum of three years to a maximum of
31 10 years. However, the annuity period may not exceed the life
32 expectancy of the member, or the life expectancy of the member
33 and the member's annuity beneficiary. If the member's death
34 occurs prior to the end of the period certain, the remaining
35 balance of payments shall be paid to the member's annuity
36 beneficiary pursuant to Section 25022.

37 (c) Except as described in subdivision (e) of Section 25018.1,
38 on or after January 1, 2007, a member may not make a new
39 election for an annuity described in subdivision (b).

1 (d) On or after January 1, 2007, a member may not make a
2 new election of a joint and survivor annuity described in
3 subdivision (b), except as provided by subdivision (e) of Section
4 25018.1.

5 (e) Any member with a disability benefit effective on or after
6 January 1, 2007, shall elect an annuity from the annuities
7 described in Section 25018.1.

8 SEC. 58. Section 25018.1 is added to the Education Code, to
9 read:

10 25018.1. (a) A member may elect to receive the disability
11 benefit as an annuity, payable in monthly installments, provided
12 the balance of credits in the member's Defined Benefit
13 Supplement account on the date the disability benefit becomes
14 payable equals at least three thousand five hundred dollars
15 (\$3,500) after any lump-sum payment has been made from this
16 account. If the member elects to receive the disability benefit as
17 an annuity, the member shall elect one of the following forms of
18 payment:

19 (1) Member only annuity. This is a single life annuity with a
20 cash refund feature that is the actuarial equivalent of the amount
21 that would be payable to the member if the member elected to
22 receive the disability benefit in a lump-sum payment. Upon the
23 death of the member, an amount equal to the remaining balance
24 of credits, *if any*, transferred from the member's Defined Benefit
25 Supplement account to the annuitant reserve shall be returned in
26 a lump-sum payment to the member's beneficiary.

27 (2) One hundred percent beneficiary annuity. This form of
28 payment is the actuarial equivalent of the lump-sum payment
29 modified to be payable over the combined lives of the member
30 and the member's annuity beneficiary *or beneficiaries*. Upon the
31 death of the member, 100 percent of the monthly amount that
32 was payable to the member shall be paid monthly to the
33 member's surviving annuity beneficiary *or beneficiaries*.

34 (3) Seventy-five percent beneficiary annuity. This form of
35 payment is the actuarial equivalent of the lump-sum payment
36 modified to be payable over the combined lives of the member
37 and the member's annuity beneficiary *or beneficiaries*. Pursuant
38 to Section 401(a)(9) of the Internal Revenue Code, ~~unless the~~
39 ~~annuity beneficiary is the member's spouse or former spouse~~
40 ~~who has been awarded a community property interest in the~~

1 member's benefits under this part, the member may not designate
2 an annuity beneficiary under this option who is more than 19
3 years of age younger than the member *the member shall not elect*
4 *this annuity if a beneficiary is more than exactly 19 years*
5 *younger than the member unless the beneficiary is the member's*
6 *spouse or former spouse and the election is pursuant to a*
7 *determination of community property rights.* Upon the death of
8 the member, 75 percent of the monthly amount that was payable
9 to the member shall be paid monthly to the surviving annuity
10 beneficiary *or beneficiaries* of the member.

11 (4) Fifty percent beneficiary annuity. This form of payment is
12 the actuarial equivalent of the lump-sum payment modified to be
13 payable over the combined lives of the member and the
14 member's annuity beneficiary *or beneficiaries*. Upon the death of
15 the member, one-half of the monthly amount that was payable to
16 the member shall be paid monthly to the member's surviving
17 annuity beneficiary *or beneficiaries*.

18 ~~(5) Compound annuity. This form of payment is the actuarial~~
19 ~~equivalent of the lump-sum payment modified to be payable over~~
20 ~~the combined lives of the member and any annuity beneficiary~~
21 ~~pursuant to Section 25015. The member's Defined Benefit~~
22 ~~Supplement benefit will be distributed to each annuity~~
23 ~~beneficiary pursuant to paragraphs (1) to (4), inclusive, of this~~
24 ~~subdivision for the designated portion as described in Section~~
25 ~~24300, 24300.1, or 24301.~~

26 (A) The member's election of the compound annuity is subject
27 to all of the following:

28 (i) Pursuant to Section 401(a)(9) of the Internal Revenue
29 Code, if the member elects the 100 percent beneficiary annuity
30 through his or her compound annuity election, and unless the
31 annuity beneficiary is the member's spouse or former spouse
32 who has been awarded a community property interest in the
33 member's benefits under this part, the member may not designate
34 an annuity beneficiary under this annuity who is 10 or more years
35 of age younger than the member.

36 (ii) Pursuant to Section 401(a)(9) of the Internal Revenue
37 Code, if the member elects the 75 percent beneficiary annuity
38 through his or her compound annuity election, and unless the
39 annuity beneficiary is the member's spouse or former spouse
40 who has been awarded a community property interest in the

1 member's benefits under this part, the member may not designate
2 an annuity beneficiary under this annuity who is more than 19
3 years of age younger than the member.

4 (6)

5 (5) A period certain annuity. This form of payment is an
6 annuity equal to the actuarial equivalent of the balance of credits
7 in the member's Defined Benefit Supplement account on the date
8 the disability benefit becomes payable. The annuity shall be
9 payable in whole year increments over a period of years specified
10 by the member, from a minimum of three years to a maximum of
11 10 years. However, the annuity period may not exceed the life
12 expectancy of the member, or the life expectancy of the member
13 and the member's annuity beneficiary. If the member's death
14 occurs prior to the end of the period certain, the remaining
15 balance of payments shall be paid to the member's annuity
16 beneficiary pursuant to Section 25022.

17 (b) If an annuity beneficiary designated pursuant to paragraph
18 (2), (3), or (4) of subdivision (a) predeceases the member, the
19 annuity payable to the member shall be the single life annuity
20 with a cash refund feature *shall be paid to the member as the*
21 *member only annuity* that would have been payable had the
22 member elected that form of payment at the commencement of
23 the benefit. That *single life member only* annuity shall be payable
24 as of the day following the date of the annuity beneficiary's death
25 upon receipt by the system of proof of the annuity beneficiary's
26 death. If the annuity beneficiary predeceases the member, ~~the~~
27 ~~member may designate~~ *and the member designates a new option*
28 *beneficiary pursuant to Section 24300.1, the new option*
29 *beneficiary shall be* a new annuity beneficiary. The effective date
30 ~~of the new designation~~ shall be six months following the date
31 notification is received by the board, provided both the member
32 and the new ~~designated~~ annuity beneficiary are then living.
33 Notice to the board of the death of the annuity beneficiary shall
34 be on a properly executed form provided by the system. The
35 ~~designation of the new annuity beneficiary under this paragraph~~
36 *is subject to an actuarial modification of the member only annuity*
37 *and may not result in any additional liability to the fund. The new*
38 *annuity beneficiary may not be an existing annuity beneficiary.*

39 (c) ~~If a nonmember spouse elects to receive the retirement~~
40 ~~benefit as an annuity, the nonmember spouse shall elect the form~~

1 of payment specified in paragraph (1) or (6) of subdivision (a)
2 and, in those paragraphs, references to a “member” shall apply to
3 the nonmember spouse.

4 (d)

5 (c) Notwithstanding Sections Section 297 or 299.2 of the
6 Family Code, a spouse as described in paragraph (3) or (5) of
7 subdivision (a) does not include the domestic partner of the
8 member, pursuant to Section 7 of Title 1 of the United States
9 Code.

10 (e)

11 (d) If there is a determination of community property rights as
12 described in Chapter 12 (commencing with Section 22650) of
13 this part on or before December 31, 2006, the member may elect
14 the annuity that is required by the judgment or court order.
15 Nothing in this section part shall permit the member to change
16 the annuity to the detriment of the community property interest
17 of the nonmember spouse.

18 SEC. 59. Section 25018.2 is added to the Education Code, to
19 read:

20 25018.2. (a) A member who is disabled and elected an
21 annuity pursuant to Section 25018 may elect to change annuities,
22 subject to all of the following:

23 (1) A member who elected a single life annuity with or
24 without a cash refund feature or elects elected a period certain
25 annuity may not change his or her annuity.

26 (2) A member who elected an annuity under paragraph (3) or
27 (4) of subdivision (b) of Section 25018 may elect an annuity
28 under paragraph (3) of subdivision (a) of Section 25018.1.

29 (3) The election of by the member under this section is made
30 on or after January 1, 2007, and prior to July 1, 2007.

31 (4) The member designates the same annuity beneficiary that
32 was designated under the prior annuity election of by the
33 member, if the annuity and the annuity designation were effective
34 on December 31, 2006.

35 (5) The annuity beneficiary is member and the annuity
36 beneficiary are not afflicted with a known terminal illness and
37 the member declares, under penalty of perjury under the laws of
38 this state, that to the best of his or her knowledge, he or she and
39 the annuity beneficiary is are not afflicted with a known terminal
40 illness.

1 (6) The annuity beneficiary has not predeceased the member
2 as of the effective date of the change in the annuity ~~of~~ by the
3 member.

4 (b) The change in the annuity ~~of~~ by the member shall be
5 effective on the date the election is signed, provided that the
6 election is on a properly executed form provided by the system
7 and that election is received at the system's headquarters office
8 as described in Section 22375 within 30 days after the date the
9 election is signed.

10 (c) *After receipt of a member's election document, the system*
11 *shall mail an acknowledgment notice to the member that sets*
12 *forth the new annuity elected by the member.*

13 (d) *If the member and the annuity beneficiary are alive and*
14 *not afflicted with a known terminal illness, a member may cancel*
15 *the election to change annuities and elect to receive the benefit*
16 *according to the preexisting annuity election. After cancellation,*
17 *the member may elect to make a one-time change from the*
18 *preexisting annuity to any other annuity provided by and subject*
19 *to the restrictions of paragraph (1), (2), (3), or (4) of subdivision*
20 *(a). The cancellation or the cancellation and one-time change*
21 *shall be made on a properly executed form provided by the*
22 *system and shall be received at the system's headquarters office*
23 *as described in Section 22375 no later than 30 calendar days*
24 *following the date of mailing of the acknowledgment notice. If the*
25 *member elects to make the one-time change provided by this*
26 *subdivision, the change shall be effective as of the member's*
27 *signature date on the initial election to change.*

28 (e) *If the system is unable to mail an acknowledgment notice*
29 *to the member on or before June 1, 2007, or prior to the end of*
30 *the election period, provided that the member and the annuity*
31 *beneficiary are alive and not afflicted with a known terminal*
32 *illness, the system shall allow a member to cancel the election to*
33 *change annuities and elect to receive the benefit according to the*
34 *preexisting annuity election. After cancellation, the member may*
35 *elect to make a one-time change from the preexisting annuity to*
36 *any other annuity provided by and subject to the restrictions of*
37 *paragraph (1), (2), (3), or (4) of subdivision (a). The cancellation*
38 *or the cancellation and one-time change may be made after the*
39 *end of the election period if it is made on a properly executed*
40 *form provided by the system and is received at the system's*

1 headquarters office as described in Section 22375 no later than
2 30 calendar days following the date of mailing of the
3 acknowledgment notice. If the member elects to make the
4 one-time change provided by this subdivision, the change shall
5 be effective as of the member's signature date on the initial
6 election to change.

7 (f) If the member elects to change his or her annuity as
8 described in subdivision (a), (d), or (e), the annuity of the
9 member shall be modified in a manner determined by the board
10 to prevent any additional liability to the plan.

11 ~~(d) References to a "member" in paragraph (1) of subdivision~~
12 ~~(a) shall apply to the nonmember spouse.~~

13 (g) *The member shall not change annuities in derogation of a*
14 *spouse's or former spouse's community property rights as*
15 *specified in a court order.*

16 SEC. 60. Section 25021 of the Education Code is amended to
17 read:

18 25021. (a) A beneficiary, other than an entity, may elect to
19 receive the final benefit payable under the Defined Benefit
20 Supplement Program as an annuity payable in monthly
21 installments provided the balance of credits in the member's
22 Defined Benefit Supplement account that is payable to that
23 beneficiary equals at least three thousand five hundred dollars
24 (\$3,500).

25 (b) A beneficiary who elects to receive an annuity under this
26 section shall elect a period certain annuity. This form of payment
27 is an annuity equal to the actuarial equivalent of the balance of
28 credits in the member's Defined Benefit Supplement account on
29 the date of the member's death. The annuity shall be payable in
30 whole year increments over a period of years specified by the
31 beneficiary, from a minimum of three years to a maximum of 10
32 years, but not to exceed the life expectancy of the beneficiary.
33 The beneficiary may designate a payee to receive the remaining
34 balance of payments if the beneficiary's death occurs prior to the
35 end of the period certain.

36 (c) A beneficiary may designate a payee who would, upon the
37 death of the beneficiary, be entitled to receive the beneficiary's
38 accrued annuity allowance.

39 SEC. 61. Section 25024 of the Education Code is amended to
40 read:

1 25024. (a) Upon the termination of all employment to
2 perform creditable service subject to coverage under the plan for
3 a reason other than retirement, disability, or death, a member
4 shall be eligible for a termination benefit under the Defined
5 Benefit Supplement Program. The member's employer, or
6 employers if the member has multiple employers, shall certify on
7 a form prescribed by the system that the member's employment
8 has been terminated, unless the member's termination of
9 employment occurred 12 consecutive months or more prior to the
10 date the member signed the application for a Defined Benefit
11 Supplement termination benefit.

12 (b) A member shall submit an application for a termination
13 benefit on a form prescribed by the system. If a member submits
14 an application for a refund of contributions under the Defined
15 Benefit Program, pursuant to Section 23103, that application
16 shall also be deemed an application for a termination benefit. If a
17 member cancels the application for a refund of contributions
18 under the Defined Benefit Program, the application for the
19 termination benefit shall also be deemed to have been cancelled.

20 (c) The termination benefit shall be a lump-sum payment that
21 is equal to the balance of credits in the member's Defined Benefit
22 Supplement account.

23 (d) Upon distribution of the termination benefit, no further
24 benefit shall be payable to the member or the member's
25 beneficiary under the Defined Benefit Supplement Program.

26 (e) A partial distribution of the balance of credits in a
27 member's Defined Benefit Supplement account shall not be
28 made, except as provided in Section 25009, 25015, 25016, or
29 25022.

30 SEC. 62. Section 26000.5 of the Education Code is amended
31 to read:

32 26000.5. ~~(a)~~—An employer whose governing board has
33 elected to provide the benefits of this part for its employees
34 pursuant to Section 26000 shall enter into an agreement with the
35 State Teachers' Retirement System. The agreement shall specify
36 the terms and conditions of the employer's formal action to
37 provide the Cash Balance Benefit Program and shall remain in
38 effect unless or until the employer exercises the right to
39 discontinue the program pursuant to Chapter 17 (commencing
40 with Section 28100).

1 SEC. 63. Section 26002.5 of the Education Code is amended
2 to read:

3 26002.5. Except as excluded in ~~Sections 26004 and 27406 or~~
4 ~~subdivision (d) of Section 26807.5~~ *Section 26004, subdivision (d)*
5 *of Section 26807.5, subdivision (d) of Section 26906.5, or Section*
6 *27406*, a person who is the registered domestic partner of a
7 member, as established pursuant to Section 297 or 299.2 of the
8 Family Code, shall be treated in the same manner as a “spouse,”
9 as defined in Section 26140.

10 SEC. 64. Section 26113 of the Education Code is amended to
11 read:

12 26113. (a) “Creditable service” means any of the following
13 activities performed for an employer in a position requiring a
14 credential, certificate, or permit pursuant to this code or under the
15 appropriate minimum standards adopted by the Board of
16 Governors of the California Community Colleges or under the
17 provisions of an approved charter for the operation of a charter
18 school for which the employer is eligible to receive state
19 apportionment or pursuant to a contract between a community
20 college district and the United States Department of Defense to
21 provide vocational training:

22 (1) The work of teachers, instructors, district interns and
23 academic employees employed in the instructional program for
24 pupils, including special programs such as adult education,
25 regional occupational programs, child care centers, and
26 prekindergarten programs pursuant to Section 22161.

27 (2) Education or vocational counseling, guidance, and
28 placement services.

29 (3) The work of directors, coordinators, and assistant
30 administrators who plan courses of study to be used in California
31 public schools, or research connected with the evaluation or
32 efficiency of the instructional program.

33 (4) The selection, collection, preparation, classification,
34 demonstration, or evaluation of instructional materials of any
35 course of study for use in the development of the instructional
36 program in California public schools, or other services related to
37 school curriculum.

38 (5) The examination, selection, in-service training, or
39 assignment of teachers, principals or other similar personnel
40 involved in the instructional program.

1 (6) School activities related to, and an outgrowth of, the
2 instructional and guidance program of the school when
3 performed in addition to other activities described in this section.

4 (7) The work of nurses, physicians, speech therapists,
5 psychologists, audiometrists, audiologists, and other school
6 health professionals.

7 (8) Services as a school librarian.

8 (9) The work of county and district superintendents and other
9 employees who are responsible for the supervision of persons or
10 administration of the duties described in this section.

11 (10) Trustee service as described in Section 26403.

12 (b) “Creditable service” also means the work of
13 superintendents of California public schools.

14 (c) The board shall have final authority for determining
15 creditable service to cover activities not already specified.

16 SEC. 65. Section 26116 of the Education Code is amended to
17 read:

18 26116. “Disability benefit” means an amount payable under
19 this part for permanent and total disability that is equal to the
20 sum of the participant’s employee account and employer account
21 as of the disability date and is payable pursuant to Section 26905,
22 26906, or 26906.5.

23 SEC. 66. Section 26137 of the Education Code is amended to
24 read:

25 26137. “Retirement benefit” means an amount payable under
26 this part in the event of the participant’s retirement for service
27 that is equal to the sum of the participant’s employee account and
28 employer account as of the retirement date and that is payable
29 pursuant to Section 26806, 26807, or 26807.5.

30 SEC. 67. Section 26214 of the Education Code is amended to
31 read:

32 26214. The board shall issue, after the end of the plan year, to
33 each participant having a balance in his or her employee account
34 or employer account, a statement setting forth the balance as of
35 the close of the plan year and amounts credited for the year,
36 provided that the employer or participant has informed the
37 system of the participant’s current United States Postal Service
38 mailing address. If the ~~member~~ *participant* indicates that he or
39 she prefers to receive that statement through the Web site of the
40 system, the board may, in lieu of mailing, issue the statement by

1 secured access through the Web site of the system. The board
2 shall prescribe the form and content of the account statement.

3 SEC. 68. Section 26301 of the Education Code is amended to
4 read:

5 26301. (a) Employers shall report contributions paid on
6 behalf of each participant in each pay period, along with all other
7 information required by the system no later than 10 working days
8 following the last day of the pay period in which the salary was
9 earned, and the report shall be delinquent immediately thereafter.
10 That report shall be submitted electronically in an encrypted
11 format provided by the system that ensures the security of the
12 transmitted ~~member~~ *participant* data.

13 (b) The board may assess a penalty against the employer for a
14 report submitted late or in an unacceptable form. *The penalty*
15 *shall be based upon the sum of the employee and employer*
16 *contributions required to be reported under this part at a rate of*
17 *interest equal to the minimum interest rate, accruing on the*
18 *balance for the period between the time the report was due and*
19 *the time an acceptable report is actually filed, or a fee of five*
20 *hundred dollars (\$500), whichever is greater.*

21 SEC. 69. Section 26400 of the Education Code is amended to
22 read:

23 26400. (a) A person employed on a part-time basis by a
24 school district or county office of education to perform creditable
25 service for less than 50 percent of each full-time position shall
26 become a participant on the later of the first day that creditable
27 service is performed for an employer that provides the Cash
28 Balance Benefit Program or the effective date of the employer's
29 governing board's action to provide the Cash Balance Benefit
30 Program, provided that creditable service is not performed for the
31 same employer with whom the person is subject to mandatory
32 membership in the Defined Benefit Program.

33 (b) A person employed on a temporary basis by a community
34 college district, who is not subject to mandatory membership in
35 the Defined Benefit Program pursuant to Section 22502 or 22504
36 for each position with the same employer, shall become a
37 participant on the later of the first day that creditable service is
38 performed for an employer that provides the Cash Balance
39 Benefit Program or the effective date of the employer's

1 governing board's action to provide the Cash Balance Benefit
2 Program.

3 (c) If the employer's governing board's action to provide the
4 Cash Balance Benefit Program gives employees the right to elect
5 coverage under social security or an alternative retirement plan
6 offered by the employer in addition to the Cash Balance Benefit
7 Program, the employee may elect within 60 calendar days of the
8 latest of the first day that creditable service is performed, the date
9 of the employer's governing board's action to provide the Cash
10 Balance Benefit Program, or the effective date of the employer's
11 governing board's action to provide the Cash Balance Benefit
12 Program to be covered by social security or to participate in the
13 alternative retirement plan in lieu of participating in the Cash
14 Balance Benefit Program. An election may not preclude an
15 employee from participating in the Cash Balance Benefit
16 Program at a later date so long as the Cash Balance Benefit
17 Program is provided by the employer and the employee is
18 eligible to participate in the Cash Balance Benefit Program.

19 (d) If subdivision (c) is applicable, the employer shall inform
20 employees pursuant to subdivision (c) of Section 26300 of their
21 right to make an election and the election shall be made on a
22 properly executed form provided by the system and filed with the
23 employer. The employer shall retain a copy of the employee's
24 signed election form and mail the original election form to the
25 headquarters office of the system as described in Section 22375.
26 The election shall become effective on the later of the first day
27 that creditable service is performed or the effective date of the
28 employer's governing board's action to provide the Cash Balance
29 Benefit Program.

30 (e) If the participant's basis of employment with a school
31 district or county office of education that provides the Cash
32 Balance Benefit Program changes to employment to perform
33 creditable service for 50 percent or more of the full-time position
34 during one school year with the same employer, creditable
35 service performed for that employer shall no longer be covered
36 under the Cash Balance Benefit Program. Creditable service
37 performed for that employer shall be subject to coverage by the
38 Defined Benefit Program as of the first day of the pay period
39 following the change in the participant's basis of employment.

1 (f) If the participant's basis of employment with a community
2 college district changes to employment that is subject to
3 mandatory membership in the Defined Benefit Program pursuant
4 to Section 22501, 22502, or 22504 during one school year with
5 the same employer, creditable service performed for that
6 employer shall no longer be covered under the Cash Balance
7 Benefit Program. Creditable service performed for that employer
8 shall be subject to coverage by the Defined Benefit Program as of
9 the first day of the pay period following the change in the
10 participant's basis of employment.

11 (g) If the governing board of an employer subsequently
12 provides, in addition to the Cash Balance Benefit Program, social
13 security coverage, a participant covered by the Cash Balance
14 Benefit Program who is performing creditable service for that
15 employer may elect to be covered by social security in lieu of the
16 Cash Balance Benefit Program. That participant's election shall
17 be made within 60 calendar days of the date the governing board
18 acted to provide coverage under social security or the effective
19 date of the governing board's action to provide social security
20 coverage, whichever is later. An election under this subdivision
21 may not preclude an employee from participating in the Cash
22 Balance Benefit Program at a later date if the employee is
23 eligible to participate in the Cash Balance Benefit Program *and*
24 *the employer provides the Cash Balance Benefit Program.*

25 (h) If the governing board of an employer provided social
26 security coverage with an effective date prior to January 1, 2007,
27 and the employer offered the Cash Balance Benefit Program as
28 of the effective date of the governing board's action to provide
29 social security coverage, a participant who was performing
30 creditable service for that employer may elect to be covered by
31 social security in lieu of the Cash Balance Benefit Program. The
32 participant's election shall be made on or after March 1, 2008,
33 and on or before May 1, 2008. The election to participate in
34 social security shall be effective on July 1, 2008. An election
35 under this subdivision may not preclude an employee from
36 participating in the Cash Balance Benefit Program at a later date
37 if the employee is eligible to participate in the Cash Balance
38 Benefit Program *and the employer provides the Cash Balance*
39 *Benefit Program.*

1 (i) An election by an employee to terminate his or her
2 participation in the Cash Balance Benefit Program as described
3 in subdivision (g) or (h) shall be made on a properly executed
4 form provided by the system and filed with the employer. The
5 employer shall retain a copy of the employee's signed election
6 form and mail the original election form to the headquarters
7 office of the system, as described in Section 22375.

8 SEC. 70. Section 26401 of the Education Code is amended to
9 read:

10 26401. (a) A member of the Defined Benefit Program who is
11 employed to perform creditable service on a part-time basis for
12 less than 50 percent of each full-time position by a school district
13 or county office of education that provides the Cash Balance
14 Benefit Program may elect to become a participant for creditable
15 service subject to coverage under the Cash Balance Benefit
16 Program for that employer, provided that the creditable service is
17 not performed for the same employer with whom the member is
18 also subject to mandatory membership in the Defined Benefit
19 Program.

20 (b) A member of the Defined Benefit Program who is
21 employed pursuant to Section 87474, 87480, 87481, 87482, or
22 87482.5 by a community college district that provides the Cash
23 Balance Benefit Program may elect to become a participant for
24 creditable service subject to coverage under the Cash Balance
25 Benefit Program for that employer, provided that the creditable
26 service is not performed for the same employer with whom the
27 member is also subject to mandatory membership in the Defined
28 Benefit Program.

29 (c) The election shall be made on a properly executed form
30 provided by the system and shall be filed with the employer
31 within 60 calendar days of the later of the first day of
32 employment with an employer that provides the Cash Balance
33 Benefit Program, the date of the employer's governing board's
34 action to provide the Cash Balance Benefit Program, or the
35 effective date of the employer's governing board's action to
36 provide the Cash Balance Benefit Program.

37 (d) Employers shall make available to employees specified in
38 subdivisions (a) and (b) information and forms provided by the
39 system for making an election regarding participation. The
40 employer shall retain a copy of the employee's signed election

1 form and mail the original signed election form to the
2 headquarters office of the system as described in Section 22375.
3 The election shall become effective on the first day of the pay
4 period following the pay period in which the election is made.

5 (e) If an election is made pursuant to subdivision (a) and the
6 participant's basis of employment with that employer changes to
7 employment to perform creditable service for 50 percent or more
8 of the full-time position during one school year with the same
9 employer, creditable service performed for that employer shall no
10 longer be covered under the Cash Balance Benefit Program.
11 Creditable service performed for that employer shall be subject to
12 coverage under the Defined Benefit Program as of the first day of
13 the pay period following the change in the participant's basis of
14 employment.

15 (f) If an election is made pursuant to subdivision (b) and the
16 participant's basis of employment with the community college
17 district changes to employment that is subject to mandatory
18 membership in the Defined Benefit Program pursuant to Section
19 22501, 22502, or 22504 during one school year with the same
20 employer, creditable service performed for that employer shall no
21 longer be covered under the Cash Balance Benefit Program.
22 Creditable service performed for that employer shall be subject to
23 coverage under the Defined Benefit Program as of the first day of
24 the pay period following the change in the participant's basis of
25 employment.

26 (g) (1) If an employee was excluded from participation in the
27 Cash Balance Benefit Program pursuant to Section 26401.5, as
28 that section read on December 31, 2000, for the same service, the
29 employee may elect to become a participant for creditable service
30 subject to coverage under the Cash Balance Benefit Program for
31 that employer, provided all of the following conditions are met:

32 (A) The employment is pursuant to Section 87474, 87480,
33 87481, 87482, or 87482.5.

34 (B) The employer offers the Cash Balance Benefit Program.

35 (C) The creditable service is not also subject to mandatory
36 membership in the Defined Benefit Program.

37 (2) Employers shall, on or before May 1, 2007, make available
38 to employees described in this subdivision, information and
39 forms provided by the system for making an election regarding
40 participation. The employee shall submit the form to the

1 employer within a 60-day election period designated by the
2 employer. The employer shall retain a copy of the employee’s
3 signed election form and mail the original signed election form to
4 the headquarters office of the system as described in Section
5 22375. The election shall become effective on the first day of the
6 pay period following the pay period in which the election is
7 made.

8 SEC. 71. Section 26807 of the Education Code is amended to
9 read:

10 26807. (a) Upon application for a retirement benefit under
11 this part, the participant may elect to receive the retirement
12 benefit in the form of an annuity, provided the sum of the
13 employee account and employer account equals or exceeds three
14 thousand five hundred dollars (\$3,500).

15 (b) If the participant elects to receive the retirement benefit as
16 an annuity, the participant shall elect one of the following forms
17 of payment:

18 (1) A single life annuity without a cash refund feature. This
19 form of payment is the actuarial equivalent of the amount that
20 would be payable to the participant if the participant elected to
21 receive the retirement benefit in a lump-sum payment. This
22 benefit shall be payable for the life of the participant. Upon the
23 death of the participant, no other benefit shall be payable to any
24 beneficiary under this part.

25 (2) A single life annuity with a cash refund feature. This form
26 of payment is the actuarial equivalent of the amount that would
27 be payable to the participant if the participant elected to receive
28 the retirement benefit in a lump-sum payment. This benefit shall
29 be payable for the life of the participant and any balance
30 remaining upon the death of the participant shall be payable in a
31 lump sum to the participant’s beneficiary.

32 (3) A 100-percent joint and survivor annuity with a “pop-up”
33 feature. This form of payment is the actuarial equivalent of the
34 amount that would be payable to the participant if the participant
35 elected to receive the retirement benefit in a lump-sum payment,
36 modified to be payable over the combined lives of the participant
37 and the participant’s annuity beneficiary. Upon the death of the
38 participant, the monthly amount that was payable to the
39 participant shall be paid monthly to the participant’s annuity
40 beneficiary. However, if the annuity beneficiary predeceases the

1 participant, the annuity payable to the participant shall be the
2 single life annuity with a cash refund feature that would have
3 been payable had the participant ~~selected~~ *elected* that form of
4 payment at the commencement of the benefit. That single life
5 annuity shall be payable as of the day following the date of the
6 annuity beneficiary's death upon receipt by the system of proof
7 of the annuity beneficiary's death. If the annuity beneficiary
8 predeceases the participant, the participant may designate a new
9 annuity beneficiary. The effective date of the new designation
10 shall be six months following the date notification, on a properly
11 executed form, is received by the board, provided both the
12 participant and the new designated annuity beneficiary are then
13 living. The ~~selection~~ *designation* of the new annuity beneficiary
14 under this paragraph shall be subject to an actuarial modification
15 of the single life annuity with a cash refund feature and shall not
16 result in any additional liability to the fund. The new annuity
17 beneficiary shall not be an existing annuity beneficiary.

18 (4) A 50-percent joint and survivor annuity with a "pop-up"
19 feature. This form of payment is the actuarial equivalent of the
20 amount that would be payable to the participant if the participant
21 elected to receive the retirement benefit in a lump-sum payment,
22 modified to be payable over the combined lives of the participant
23 and the participant's annuity beneficiary. Upon the death of the
24 participant, one-half of the monthly amount that was payable to
25 the participant shall be paid monthly to the participant's annuity
26 beneficiary. However, if the annuity beneficiary predeceases the
27 participant, the annuity payable to the participant shall be the
28 single life annuity with a cash refund feature that would have
29 been payable had the participant ~~selected~~ *elected* that form of
30 payment at the commencement of the benefit. That single life
31 annuity shall be payable as of the day following the date of the
32 annuity beneficiary's death upon receipt by the system of proof
33 of the annuity beneficiary's death. If the annuity beneficiary
34 predeceases the participant, the participant may designate a new
35 annuity beneficiary. The effective date of the new designation
36 shall be six months following the date notification, on a properly
37 executed form, is received by the board, provided both the
38 participant and the new designated annuity beneficiary are then
39 living. The ~~selection~~ *designation* of the new annuity beneficiary
40 under this paragraph shall be subject to an actuarial modification

1 of the single life annuity with a cash refund feature and shall not
2 result in any additional liability to the fund. The new annuity
3 beneficiary shall not be an existing annuity beneficiary.

4 (5) A period certain annuity. This form of payment is an
5 annuity equal to the actuarial equivalent of the sum of the
6 balance of the employee account and the employer account on
7 the date the retirement benefit becomes payable. The annuity
8 shall be payable in whole year increments over a period of years
9 specified by the participant, from a minimum of three years to a
10 maximum of 10 years. However, the annuity period may not
11 exceed the life expectancy of the participant or of the participant
12 and the participant's annuity beneficiary. If the participant's
13 death occurs prior to the end of the period certain, the remaining
14 balance of payments shall be paid to the participant's annuity
15 beneficiary pursuant to Section 27007.

16 (c) Except as described in subdivision (e) of Section 26807.5,
17 on or after January 1, 2007, a ~~member~~ participant may not make
18 a new election ~~for~~ of an annuity described in subdivision (b).

19 (d) Any participant with a retirement effective on or after
20 January 1, 2007, shall elect an annuity from the annuities
21 described in Section 26807.5.

22 SEC. 72. Section 26807.5 is added to the Education Code, to
23 read:

24 26807.5. (a) Upon application for a retirement benefit under
25 this part, the participant may elect to receive the retirement
26 benefit as an annuity payable in monthly installments, provided
27 the sum of the employee account and employer account equals or
28 exceeds three thousand five hundred dollars (\$3,500). If the
29 participant elects to receive the retirement benefit as an annuity,
30 the participant shall elect one of the following forms of payment:

31 (1) Participant only annuity. This is a single life annuity with a
32 cash refund feature that is the actuarial equivalent of the amount
33 that would be payable to the participant if the participant elected
34 to receive the retirement benefit in a lump-sum payment. Upon
35 the death of the participant, an amount equal to the remaining
36 balance of the participant's contributions and interest shall be
37 paid in a lump-sum to the participant's beneficiary.

38 (2) One hundred percent beneficiary annuity. This is a joint
39 and survivor annuity that is the actuarial equivalent of the
40 lump-sum payment modified to be payable over the combined

1 lives of the participant and the participant's annuity beneficiary.
2 Upon the death of the participant, 100 percent of the monthly
3 amount that was payable to the participant shall be paid monthly
4 to the participant's surviving annuity beneficiary.

5 (3) Seventy-five percent beneficiary annuity. This is a joint
6 and survivor annuity that is the actuarial equivalent of the
7 lump-sum payment modified to be payable over the combined
8 lives of the participant and the participant's annuity beneficiary.
9 Pursuant to Section 401(a)(9) of the Internal Revenue Code,
10 unless the annuity beneficiary is the participant's spouse or
11 former spouse who has been awarded a community property
12 interest in the participant's benefits under this part, the
13 participant may not designate an annuity beneficiary under this
14 annuity who is more than ~~19 years of age~~ *exactly 19 years*
15 younger than the participant. Upon the death of the participant,
16 75 percent of the monthly amount that was payable to the
17 participant shall be paid monthly to the participant's surviving
18 annuity beneficiary.

19 (4) Fifty percent beneficiary annuity. This is a joint and
20 survivor annuity that is the actuarial equivalent of the lump-sum
21 payment modified to be payable over the combined lives of the
22 participant and the participant's annuity beneficiary. Upon the
23 death of the participant, 50 percent of the monthly amount that
24 was payable to the participant shall be paid monthly to the
25 participant's surviving annuity beneficiary.

26 (5) A period certain annuity. ~~This is a joint and survivor~~
27 ~~annuity that is an annuity form of payment is an annuity that is~~
28 equal to the actuarial equivalent of the balance of credits in the
29 participant's Cash Balance Benefit account on the date the
30 retirement benefit becomes payable. The annuity shall be payable
31 in whole year increments over a period of years specified by the
32 participant, from a minimum of three years to a maximum of 10
33 years. However, the annuity period may not exceed the life
34 expectancy of the participant or of the participant and the
35 participant's annuity beneficiary. If the participant's death occurs
36 prior to the end of the period certain, the remaining balance of
37 payments shall be paid to the participant's annuity beneficiary
38 pursuant to Section 27007.

39 (b) If an annuity beneficiary designated pursuant to paragraph
40 (2), (3), or (4) of subdivision (a) predeceases the participant, ~~that~~

1 ~~portion of the annuity payable to the annuity beneficiary~~ shall be
2 paid to the participant as a *the* participant only annuity described
3 in paragraph (1) of subdivision (a) that would have been payable
4 had the participant elected that form of payment at the
5 commencement of the benefit. That participant only annuity shall
6 be payable as of the day following the date of the annuity
7 beneficiary's death upon receipt by the system of proof of the
8 annuity beneficiary's death. If the annuity beneficiary
9 predeceases the participant, the participant may designate a new
10 annuity beneficiary ~~for the portion that was payable to the prior~~
11 ~~annuity beneficiary~~. The effective date of the new designation
12 shall be six months following the date notification is received by
13 the board, provided both the participant and the new designated
14 annuity beneficiary are then living. Notice to the board of the
15 death of the annuity beneficiary shall be on a properly executed
16 form provided by the system. The designation of the new annuity
17 beneficiary under this paragraph is subject to an actuarial
18 modification *of the participant only annuity* and may not result in
19 any additional liability to the ~~fund~~. ~~The new annuity beneficiary~~
20 ~~may not be an existing annuity beneficiary.~~ *fund.*

21 (c) If a nonparticipant spouse elects to receive the retirement
22 benefit as an annuity, the nonparticipant spouse shall elect the
23 form of payment specified in paragraph (1) or (5) of subdivision
24 (a) and, in those paragraphs, references to a "participant" shall
25 apply to the nonparticipant spouse.

26 (d) Notwithstanding ~~Sections~~ *Section* 297 or 299.2 of the
27 Family Code, a spouse as described in paragraph (3) ~~or (5)~~ of
28 subdivision (a) does not include the domestic partner of the
29 ~~member participant~~, pursuant to Section 7 of Title 1 of the
30 United States Code.

31 (e) If there is a determination of community property rights as
32 described in Chapter 15 (commencing with Section 27400) of
33 this part on or before December 31, 2006, the participant may
34 elect the annuity that is required by the judgment or court order.
35 Nothing in this ~~section~~ *part* shall permit the participant to change
36 the annuity to the detriment of the community property interest
37 of the ~~nonmember nonparticipant~~ spouse.

38 SEC. 73. Section 26807.6 is added to the Education Code, to
39 read:

1 26807.6. (a) A participant who retired and elected an annuity
2 pursuant to Section 26807 may elect to change annuities, subject
3 to all of the following:

4 (1) A participant who elected a single life annuity with or
5 without a cash refund feature or a period certain annuity may not
6 change his or her annuity.

7 (2) A participant who elected an annuity under paragraph (3)
8 or (4) of subdivision (b) of Section 26807 may elect an annuity
9 under paragraph (3) of subdivision (a) of Section 26807.5.

10 (3) The election of the participant under this section is made
11 on or after January 1, 2007, and prior to July 1, 2007.

12 (4) The participant designates the same annuity beneficiary
13 that was designated under the prior annuity election of *elected by*
14 the participant, *if the annuity and annuity designation were*
15 *effective on December 31, 2006.*

16 (5) The annuity beneficiary is not afflicted with a known
17 terminal illness and the participant declares, under penalty of
18 perjury under the laws of this state, that to the best of his or her
19 knowledge, the annuity beneficiary is not afflicted with a known
20 terminal illness.

21 (6) The annuity beneficiary has not predeceased the participant
22 as of the effective date of the change in the annuity of *by* the
23 participant.

24 (b) The change in the annuity of *by* the participant shall be
25 effective on the date the election is signed, provided that the
26 election is on a properly executed form provided by the system
27 and that election is received at the system's headquarters office
28 as described in Section 22375 within 30 days after the date the
29 election is signed.

30 (c) *After receipt of a participant's election document, the*
31 *system shall mail an acknowledgment notice to the participant*
32 *that sets forth the new annuity elected by the participant.*

33 (d) *If the participant and the annuity beneficiary are alive and*
34 *not afflicted with a known terminal illness, a participant may*
35 *cancel the election to change annuities and elect to receive the*
36 *benefit according to the preexisting annuity election. After*
37 *cancellation, the participant may elect to make a one-time*
38 *change from the preexisting annuity to any other annuity*
39 *provided by and subject to the restrictions of paragraph (1), (2),*
40 *(3), or (4) of subdivision (a). The cancellation or the cancellation*

1 *and one-time change shall be made on a properly executed form*
2 *provided by the system and shall be received at the system's*
3 *headquarters office as described in Section 22375 no later than*
4 *30 calendar days following the date of mailing of the*
5 *acknowledgment notice. If the participant elects to make the*
6 *one-time change provided by this subdivision, the change shall*
7 *be effective as of the participant's signature date on the initial*
8 *election to change.*

9 *(e) If the system is unable to mail an acknowledgment notice*
10 *to the participant on or before June 1, 2007, or prior to the end*
11 *of the election period, provided that the participant and the*
12 *annuity beneficiary are alive and not afflicted with a known*
13 *terminal illness, the system shall allow a participant to cancel the*
14 *election to change annuities and elect to receive the benefit*
15 *according to the preexisting annuity election. After cancellation,*
16 *the participant may elect to make a one-time change from the*
17 *preexisting annuity to any other annuity provided by and subject*
18 *to the restrictions of paragraph (1), (2), (3), or (4) of subdivision*
19 *(a). The cancellation or the cancellation and one-time change*
20 *may be made after the end of the election period if it is made on*
21 *a properly executed form provided by the system and is received*
22 *at the system's headquarters office as described in Section 22375*
23 *no later than 30 calendar days following the date of mailing of*
24 *the acknowledgment notice. If the participant elects to make the*
25 *one-time change provided by this subdivision, the change shall*
26 *be effective as of the participant's signature date on the initial*
27 *election to change.*

28 *(f) If the participant elects to change his or her annuity as*
29 *described in subdivision (a), ~~the annuity of the participant~~ or (d),*
30 *the participant's annuity shall be modified in a manner*
31 *determined by the board to prevent any additional liability to the*
32 *plan.*

33 ~~(d)~~

34 *(g) References to a "participant" in paragraph (1) of*
35 *subdivision (a) shall apply to the nonmember spouse.*

36 *(h) The participant shall not change annuities in derogation of*
37 *a spouse's or former spouse's community property rights as*
38 *specified in a court order.*

39 SEC. 74. Section 26811 of the Education Code is amended to
40 read:

1 26811. The beneficiary under the joint and survivor annuity
2 elected pursuant to paragraph (3) or (4) of subdivision (b) of
3 Section 26807 or paragraphs (2) to (5), inclusive, of subdivision
4 (a) of Section 26807.5 shall be the person designated by the
5 participant on the application for a retirement benefit under this
6 part, and shall not be changed after the original retirement date
7 unless the beneficiary has predeceased the participant.

8 SEC. 75. Section 26906 of the Education Code is amended to
9 read:

10 26906. (a) Upon application for a disability benefit under
11 this part, the participant may elect to receive the disability benefit
12 in the form of an annuity provided the sum of the employee
13 account and employer account equals or exceeds three thousand
14 five hundred dollars (\$3,500).

15 (b) If the participant elects to receive the disability benefit as
16 an annuity, the participant shall elect one of the following forms
17 of payment:

18 (1) A single life annuity without a cash refund feature. This
19 form of payment is the actuarial equivalent of the amount that
20 would be payable to the participant if the participant elected to
21 receive the disability benefit in a lump-sum payment. This
22 benefit shall be payable for the life of the participant. Upon the
23 death of the participant, no other benefit shall be payable to any
24 beneficiary under this part.

25 (2) A single life annuity with a cash refund feature. This form
26 of payment is the actuarial equivalent of the amount that would
27 be payable to the participant if the participant elected to receive
28 the disability benefit in a lump-sum payment. This benefit shall
29 be payable for the life of the participant and any balance
30 remaining upon the death of the participant shall be payable in a
31 lump sum to the participant's beneficiary.

32 (3) A 100-percent joint and survivor annuity with a "pop-up"
33 feature. This form of payment is the actuarial equivalent of the
34 amount that would be payable to the participant if the participant
35 elected to receive the disability benefit in a lump-sum payment,
36 modified to be payable over the combined lives of the participant
37 and the participant's annuity beneficiary. Upon the death of the
38 participant, the monthly amount that was payable to the
39 participant shall be paid monthly to the participant's annuity
40 beneficiary. However, if the annuity beneficiary predeceases the

1 participant, the annuity payable to the participant shall be the
2 single life annuity with a cash refund feature that would have
3 been payable had the participant~~selected~~ *elected* that form of
4 payment at the commencement of the benefit. That single life
5 annuity shall be payable as of the day following the date of the
6 annuity beneficiary's death upon receipt by the system of proof
7 of the annuity beneficiary's death. If the annuity beneficiary
8 predeceases the participant, the participant may designate a new
9 annuity beneficiary. The effective date of the new designation
10 shall be six months following the date notification, on a properly
11 executed form, is received by the board, provided both the
12 participant and the new designated annuity beneficiary are then
13 living. The~~selection~~ *designation* of the new annuity beneficiary
14 under this paragraph shall be subject to an actuarial modification
15 of the single life annuity with a cash refund feature and shall not
16 result in any additional liability to the fund. The new annuity
17 beneficiary shall not be an existing annuity beneficiary.

18 (4) A 50-percent joint and survivor annuity with a "pop-up"
19 feature. This form of payment is the actuarial equivalent of the
20 amount that would be payable to the participant if the participant
21 elected to receive the disability benefit in a lump-sum payment,
22 modified to be payable over the combined lives of the participant
23 and the participant's annuity beneficiary. Upon the death of the
24 participant, one-half of the monthly amount that was payable to
25 the participant shall be paid monthly to the participant's annuity
26 beneficiary. However, if the annuity beneficiary predeceases the
27 participant, the annuity payable to the participant shall be the
28 single life annuity with a cash refund feature that would have
29 been payable had the participant~~selected~~ *elected* that form of
30 payment at the commencement of the benefit. That single life
31 annuity shall be payable as of the day following the date of the
32 annuity beneficiary's death upon receipt by the system of proof
33 of the annuity beneficiary's death. If the annuity beneficiary
34 predeceases the participant, the participant may designate a new
35 annuity beneficiary. The effective date of the new designation
36 shall be six months following the date notification, on a properly
37 executed form, is received by the board, provided both the
38 participant and the new designated annuity beneficiary are then
39 living. The~~selection~~ *designation* of the new annuity beneficiary
40 under this paragraph shall be subject to an actuarial modification

1 of the single life annuity with a cash refund feature and shall not
2 result in any additional liability to the fund. The new annuity
3 beneficiary shall not be an existing annuity beneficiary.

4 (5) A period certain annuity. This form of payment is an
5 annuity equal to the actuarial equivalent of the sum of balance of
6 the employee account and the employer account on the date the
7 disability benefit becomes payable. The annuity shall be payable
8 in whole year increments over a period of years specified by the
9 participant, from a minimum of three years to a maximum of 10
10 years. However, the annuity period may not exceed the life
11 expectancy of the participant or of the participant and the
12 participant's annuity beneficiary. If the participant's death occurs
13 prior to the end of the period certain, the remaining balance of
14 payments shall be paid to the participant's annuity beneficiary
15 pursuant to Section 27007.

16 (c) Except as described in subdivision (c) of Section 26906.5,
17 on or after January 1, 2007, a ~~member~~ *participant* may not make
18 a new election ~~for~~ *of* an annuity described in subdivision (b).

19 SEC. 76. Section 26906.5 is added to the Education Code, to
20 read:

21 26906.5. (a) Upon application for a disability benefit under
22 this part, the participant may elect to receive the disabled benefit
23 in the form of an annuity provided the sum of the employee
24 account and employer account equals or exceeds three thousand
25 five hundred dollars (\$3,500). If the participant elects to receive
26 the disability benefit as an annuity, the participant shall elect one
27 of the following forms of payment:

28 (1) Participant only annuity. This is a single life annuity with a
29 cash refund feature that is the actuarial equivalent of the amount
30 that would be payable to the participant if the participant elected
31 to receive the ~~retirement~~ *disability* benefit in a lump-sum
32 payment. Upon the death of the participant, an amount equal to
33 the remaining balance of the participant's contributions and
34 interest shall be paid in a lump sum to the participant's
35 beneficiary.

36 (2) One hundred percent beneficiary annuity. This is a joint
37 and survivor annuity that is the actuarial equivalent of the
38 lump-sum payment modified to be payable over the combined
39 lives of the participant and the participant's annuity beneficiary.
40 Upon the death of the participant, 100 percent of the monthly

1 amount that was payable to the participant shall be paid monthly
2 to the participant's surviving annuity beneficiary.

3 (3) Seventy-five percent beneficiary annuity. This is a joint
4 and survivor annuity that is the actuarial equivalent of the
5 lump-sum payment modified to be payable over the combined
6 lives of the participant and the participant's annuity beneficiary.
7 Pursuant to Section 401(a)(9) of the Internal Revenue Code,
8 unless the annuity beneficiary is the participant's spouse or
9 former spouse who has been awarded a community property
10 interest in the participant's benefits under this part, the
11 participant may not designate an annuity beneficiary under this
12 annuity who is more than ~~19 years of age~~ *exactly 19 years*
13 younger than the participant. Upon the death of the participant,
14 75 percent of the monthly amount that was payable to the
15 participant shall be paid monthly to the participant's surviving
16 annuity beneficiary.

17 (4) Fifty percent beneficiary annuity. This is a joint and
18 survivor annuity that is the actuarial equivalent of the lump-sum
19 payment modified to be payable over the combined lives of the
20 participant and the participant's annuity beneficiary. Upon the
21 death of the participant, 50 percent of the monthly amount that
22 was payable to the participant shall be paid monthly to the
23 participant's surviving annuity beneficiary.

24 (5) A period certain annuity. ~~This is a joint and survivor~~
25 ~~annuity that is an annuity form of payment is an annuity that is~~
26 equal to the actuarial equivalent of the balance of credits in the
27 participant's Cash Balance Benefit account on the date the
28 disability benefit becomes payable. The annuity shall be payable
29 in whole year increments over a period of years specified by the
30 participant, from a minimum of three years to a maximum of 10
31 years. However, the annuity period may not exceed the life
32 expectancy of the participant or of the participant and the
33 participant's annuity beneficiary. If the participant's death occurs
34 prior to the end of the period certain, the remaining balance of
35 payments shall be paid to the participant's annuity beneficiary
36 pursuant to Section 27007.

37 (b) If an annuity beneficiary *designated pursuant to paragraph*
38 *(2), (3), or (4) of subdivision (a)* predeceases the participant, ~~that~~
39 ~~portion of the annuity payable to the annuity beneficiary~~ shall be
40 paid to the participant as ~~a~~ *the* participant only annuity described

1 in paragraph (1) of subdivision (a) that would have been payable
 2 had the participant elected that form of payment at the
 3 commencement of the benefit. That participant only annuity shall
 4 be payable as of the day following the date of the annuity
 5 beneficiary's death upon receipt by the system of proof of the
 6 annuity beneficiary's death. If the annuity beneficiary
 7 predeceases the participant, the participant may designate a new
 8 annuity beneficiary ~~for that portion that was payable to the prior~~
 9 ~~annuity beneficiary.~~ The effective date of the new designation
 10 shall be six months following the date notification is received by
 11 the board, provided both the participant and the new designated
 12 annuity beneficiary are then living. Notice to the board of the
 13 death of the annuity beneficiary shall be on a properly executed
 14 form provided by the system. The designation of the new annuity
 15 beneficiary under this paragraph is subject to an actuarial
 16 modification *of the participant only annuity* and may not result in
 17 any additional liability to the fund. ~~The new annuity beneficiary~~
 18 ~~may not be an existing annuity beneficiary. fund.~~

19 (c) *Notwithstanding Section 297 or 299.2 of the Family Code,*
 20 *a spouse as described in paragraph (3) of subdivision (a) does*
 21 *not include the domestic partner of the participant pursuant to*
 22 *Section 7 of Title 1 of the United States Code.*

23 (d) If there is a determination of community property rights as
 24 described in Chapter 15 (commencing with Section 27400) of
 25 this part on or before December 31, 2006, the participant may
 26 elect the annuity that is required by the judgment or court order.
 27 Nothing in this ~~section~~ *part* shall permit the participant to change
 28 the annuity to the detriment of the community property interest
 29 of the nonparticipant spouse.

30 SEC. 77. Section 26906.6 is added to the Education Code, to
 31 read:

32 26906.6. (a) A participant ~~or nonparticipant spouse~~ who is
 33 disabled and elected an annuity pursuant to Section 26906 may
 34 elect to change annuities, subject to all of the following:

35 (1) A participant ~~or nonparticipant spouse~~ who elected a single
 36 life annuity with or without a cash refund feature or a period
 37 certain annuity may not change his or her annuity.

38 (2) A participant ~~or nonparticipant spouse~~ who elected an
 39 annuity under paragraph (3) or (4) of subdivision (b) of Section

1 26906 may elect an annuity under paragraph (3) of subdivision
2 (a) of Section 26906.5.

3 ~~(3) The election of by the participant or nonparticipant spouse~~
4 under this section is made on or after January 1, 2007, and prior
5 to July 1, 2007.

6 ~~(4) The participant or nonparticipant spouse designates the~~
7 same annuity beneficiary that was designated under the prior
8 annuity election of the participant or nonparticipant spouse
9 *elected by the participant, if the annuity and the annuity*
10 *beneficiary designation were effective on December 31, 2006.*

11 (5) The annuity beneficiary is not afflicted with a known
12 terminal illness and the participant ~~or nonparticipant spouse~~
13 declares, under penalty of perjury under the laws of this state,
14 that to the best of his or her knowledge, the annuity beneficiary is
15 not afflicted with a known terminal illness.

16 (6) The annuity beneficiary has not predeceased the participant
17 ~~or nonparticipant spouse~~ as of the effective date of the change in
18 the annuity ~~of by the participant or nonparticipant spouse~~.

19 (b) The change in the annuity ~~of by the participant or~~
20 ~~nonparticipant spouse~~ shall be effective on the date the election is
21 signed, provided that the election is on a properly executed form
22 provided by the system and that election is received at the
23 system's headquarters office as described in Section 22375
24 within 30 days after the date the election is signed.

25 (c) *After receipt of a participant's election document, the*
26 *system shall mail an acknowledgment notice to the participant*
27 *that sets forth the new annuity elected by the participant.*

28 (d) *If the participant and the annuity beneficiary are alive and*
29 *not afflicted with a known terminal illness, a participant may*
30 *cancel the election to change annuities and elect to receive the*
31 *benefit according to the preexisting annuity election. After*
32 *cancellation, the participant may elect to make a one-time*
33 *change from the preexisting annuity to any other annuity*
34 *provided by and subject to the restrictions of paragraph (1), (2),*
35 *(3), or (4) of subdivision (a). The cancellation or the cancellation*
36 *and one-time change shall be made on a properly executed form*
37 *provided by the system and shall be received at the system's*
38 *headquarters office as described in Section 22375 no later than*
39 *30 calendar days following the date of mailing of the*
40 *acknowledgment notice. If the participant elects to make the*

1 *one-time change provided by this subdivision, the change shall*
 2 *be effective as of the participant's signature date on the initial*
 3 *election to change.*

4 *(e) If the system is unable to mail an acknowledgment notice*
 5 *to the participant on or before June 1, 2007, or prior to the end*
 6 *of the election period, provided that the participant and the*
 7 *annuity beneficiary are alive and not afflicted with a known*
 8 *terminal illness, the system shall allow a participant to cancel the*
 9 *election to change annuities and elect to receive the benefit*
 10 *according to the preexisting annuity election. After cancellation,*
 11 *the participant may elect to make a one-time change from the*
 12 *preexisting annuity to any other annuity provided by and subject*
 13 *to the restrictions of paragraph (1), (2), (3), or (4) of subdivision*
 14 *(a). The cancellation or the cancellation and one-time change*
 15 *may be made after the end of the election period if it is made on*
 16 *a properly executed form provided by the system and is received*
 17 *at the system's headquarters office as described in Section 22375*
 18 *no later than 30 calendar days following the date of mailing of*
 19 *the acknowledgment notice. If the participant elects to make the*
 20 *one-time change provided by this subdivision, the change shall*
 21 *be effective as of the participant's signature date on the initial*
 22 *election to change.*

23 *(f) If the participant or nonparticipant spouse elects to change*
 24 *his or her annuity as described in subdivision (a), ~~the annuity of~~*
 25 *~~the participant or nonparticipant spouse~~ or (d), the participant's*
 26 *annuity shall be modified in a manner determined by the board to*
 27 *prevent any additional liability to the plan.*

28 *(g) The participant shall not change annuities in derogation of*
 29 *a spouse's or former spouse's community property rights as*
 30 *specified in a court order.*

31 SEC. 78. Section 26910 of the Education Code is amended to
 32 read:

33 26910. The beneficiary under the joint and survivor option
 34 elected pursuant to paragraph (3) or paragraph (4) of subdivision
 35 (b) of Section 26906 or paragraph (2) or (4) of subdivision (a) of
 36 Section 26906.5 shall be the person designated by the participant
 37 on the application for a disability benefit and shall not be
 38 changed after the original disability date unless the beneficiary
 39 predeceases the participant.

1 SEC. 79. Section 27004 of the Education Code is amended to
2 read:

3 27004. (a) A beneficiary, other than an entity, may elect to
4 receive the final benefit payable under the Cash Balance Benefit
5 Program as an annuity payable in monthly installments provided
6 that the sum of the employee account and the employer account
7 that is payable to the beneficiary equals at least three thousand
8 five hundred dollars (\$3,500).

9 (b) A beneficiary who elects to receive an annuity pursuant to
10 this section shall elect a period certain annuity. This form of
11 payment is an annuity equal to the actuarial equivalent of the sum
12 of the balance of the employee account and the employer account
13 on the date of the participant's death. The annuity shall be
14 payable in whole year increments over a period of years specified
15 by the beneficiary, from a minimum of three years to a maximum
16 of 10 years. However, the annuity period shall not exceed the life
17 expectancy of the beneficiary. The beneficiary may designate a
18 payee to receive the remaining balance of payments if the
19 beneficiary dies prior to the end of the period certain.

20 SEC. 80. Section 27405 of the Education Code is amended to
21 read:

22 27405. Upon the legal separation or dissolution of marriage
23 of a participant, the court may include in the judgment or court
24 order a determination of the community property rights of the
25 parties in the participant's annuity consistent with this section.
26 Upon election under subparagraph (B) of paragraph (3) of
27 subdivision (a) of Section 2610 of the Family Code, the court
28 order awarding the nonparticipant spouse a community property
29 share in the benefits of a participant receiving an annuity shall be
30 consistent with this section.

31 (a) If the court does not award the entire annuity to the
32 participant and the participant is receiving an annuity under
33 paragraph (1) or (2) of subdivision (b) of Section 26807 or
34 paragraph (1) of subdivision (a) of Section 26807.5, the court
35 shall require only that the system pay from the plan the
36 nonparticipant spouse, by separate warrant, his or her community
37 property share of the participant's annuity, or the option
38 beneficiary's annuity or both.

1 (b) The nonparticipant spouse may designate a beneficiary to
2 receive his or her community property share of the participant's
3 annuity.

4 SEC. 81. Section 27408 of the Education Code is amended to
5 read:

6 27408. (a) Sections 26107, 26700, 26802, 26806, 27000,
7 27002, paragraphs (1) ~~and (2)~~ of subdivision (b) of Section
8 26807, and ~~paragraph (1)~~ *paragraphs (1) and (5)* of subdivision
9 (a) of Section 26807.5 shall apply to a nonparticipant spouse as if
10 she or he were a participant.

11 (b) Notwithstanding subdivision (a), this section shall not be
12 construed to establish any right for the nonparticipant spouse that
13 is not explicitly established in Sections 27400 to 27405,
14 inclusive, and Sections 27409 to 27412, inclusive.

15 SEC. 82. Section 27410 of the Education Code is amended to
16 read:

17 27410. (a) The nonparticipant spouse who is awarded
18 separate nominal accounts shall have the right to designate,
19 pursuant to Sections 27100 to 27102, inclusive, a beneficiary or
20 beneficiaries to receive the amounts credited to the separate
21 nominal accounts of the nonparticipant spouse on his or her date
22 of death, and any annuity attributable to the separate nominal
23 accounts which is unpaid on the date of the death of the
24 nonparticipant spouse.

25 (b) This section shall not be construed to provide the
26 nonparticipant spouse with any right to elect a joint and survivor
27 annuity pursuant to paragraphs (3) and (4) of subdivision (b) of
28 Section 26807 or subdivision (a) of Section 26807.5.

29 SEC. 83. Section 27411 of the Education Code is amended to
30 read:

31 27411. The nonparticipant spouse who is awarded a separate
32 nominal account under this part shall have the right to an annuity
33 pursuant to ~~paragraphs (1), (2), or (5) of subdivision (b) of~~
34 ~~Section 26807~~ or paragraph (1) or (5) of subdivision (a) of
35 Section 26807.5.

36 (a) The nonparticipant spouse shall be eligible for an annuity if
37 the following conditions are satisfied:

38 (1) The nonparticipant spouse has at least three thousand five
39 hundred dollars (\$3,500) in his or her separate nominal accounts.

1 (2) The nonparticipant spouse has attained the age of 55 years
2 or more.

3 (b) An annuity of a nonparticipant spouse shall become
4 effective upon any date designated by the nonparticipant spouse,
5 provided:

6 (1) The requirements of subdivision (a) are satisfied.

7 (2) The nonparticipant spouse has filed an application for an
8 annuity on a *properly executed* form provided by the system,
9 which is executed no earlier than 90 days before the effective
10 date of the annuity.

11 SEC. 84. Section 44922 of the Education Code is amended to
12 read:

13 44922. Notwithstanding any other provision, the governing
14 board of a school district or a county superintendent of schools
15 may establish regulations which allow their certificated
16 employees to reduce their workload from full-time to part-time
17 duties.

18 The regulations shall include, but shall not be limited to, the
19 following, if the employees wish to reduce their workload and
20 maintain retirement benefits pursuant to Section 22713 of this
21 code or Section 20815 of the Government Code:

22 (a) The employee shall have reached the age of 55 prior to
23 reduction in workload.

24 (b) The employee shall have been employed full time in a
25 position requiring certification for at least 10 years of which the
26 immediately preceding five years were full-time employment.

27 (c) During the period immediately preceding a request for a
28 reduction in workload, the employee shall have been employed
29 full time in a position requiring certification for a total of at least
30 five years without a break in service. For purposes of this
31 subdivision, sabbaticals and other approved leaves of absence
32 shall not constitute a break in service.

33 (d) The option of part-time employment shall be exercised at
34 the request of the employee and can be revoked only with the
35 mutual consent of the employer and the employee.

36 (e) (1) The employee shall be paid a salary that is the pro rata
37 share of the salary he or she would be earning had he or she not
38 elected to exercise the option of part-time employment but shall
39 retain all other rights and benefits for which he or she makes the

1 payments that would be required if he or she remained in
2 full-time employment.

3 (2) The employee shall receive health benefits as provided in
4 Section 53201 of the Government Code in the same manner as a
5 full-time employee.

6 (f) The minimum part-time employment shall be the
7 equivalent of one-half of the number of days of service required
8 by the employee’s contract of employment during his or her final
9 year of service in a full-time position.

10 (g) This option is limited in prekindergarten through grade 12
11 to certificated employees who do not hold positions with salaries
12 above that of a school principal.

13 (h) The period of this part-time employment shall include a
14 period of time, as specified in the regulations, which shall be up
15 to and include five years for employees subject to Section 20815
16 of the Government Code or 10 years for employees subject to
17 Section 22713 of this code.

18 (i) The period of part-time employment of employees subject
19 to Section 20815 of the Government Code shall not extend
20 beyond the end of the school year during which the employee
21 reaches his or her 70th birthday. This subdivision shall not apply
22 to any employee subject to Section 22713 of this code.

23 SEC. 85. Section 22009.1 of the Government Code is
24 amended to read:

25 22009.1. “Retirement system” includes:

26 (a) A pension, annuity, retirement or similar fund or system
27 established by a public agency and covering only positions of
28 that agency.

29 (b) The Public Employees’ Retirement System with respect
30 only to employees of the state and employees of the University of
31 California in positions covered by that system.

32 (c) The Public Employees’ Retirement System with respect to
33 employees of all school districts in positions covered under each
34 contract entered into by a county superintendent of schools and
35 the system.

36 (d) The State Teachers’ Retirement System with respect to all
37 employees in positions subject to coverage under the Defined
38 Benefit Program of the State Teachers’ Retirement Plan except
39 employees of a public agency having any employees in positions
40 covered by that system who are also in positions covered by a

1 local retirement system for the retirement of teachers, or for
2 membership in which public school teachers are eligible,
3 operated by a city, city and county, county or other public agency
4 or combination of public agencies of the state.

5 (e) The Legislators' Retirement System with respect to all
6 employees in positions covered by that system.

7 (f) The Judges' Retirement System with respect to all
8 employees in positions covered by that system.

9 (g) The University of California Retirement Plan only with
10 respect to all employees in positions covered by that system.

11 (h) The San Francisco Employees' Retirement System with
12 respect to all employees in positions covered by that system.

13 (i) Any other retirement system with respect only to
14 employees of any two or more of the public agencies having
15 employees in positions covered by that system, as designated by
16 the board and with regard to which the board authorizes conduct
17 of a referendum.

18 (j) Any retirement system with respect only to employees of a
19 hospital that is an integral part of a city incorporated between
20 January 15, 1898, and July 15, 1898, in positions covered by the
21 system, as designated by the board on request of the city.

22 (k) Except as otherwise provided in subdivisions (b) to (j),
23 inclusive, any retirement system with respect to employees of
24 each of the public agencies having employees in positions
25 covered by the system.

26 (l) The State Teachers' Retirement System with respect to all
27 employees of each public agency, as defined by Section
28 22009.03, in positions covered by the State Teachers' Retirement
29 Plan.

30 (m) Each division or part of a retirement system, as defined in
31 subdivisions (a), (b), (c), (e), (g), (h), (i), (j), (k), and (l) of this
32 section, that is divided pursuant to this chapter into two parts:

33 (1) The part composed of the positions of members of the
34 system who desire coverage under the federal system.

35 (2) The part composed of the positions of members of the
36 system who do not desire coverage under the federal system.

37 SEC. 86. No reimbursement is required by this act pursuant
38 to Section 6 of Article XIII B of the California Constitution
39 because the only costs that may be incurred by a local agency or
40 school district will be incurred because this act creates a new

1 crime or infraction, eliminates a crime or infraction, or changes
2 the penalty for a crime or infraction, within the meaning of
3 Section 17556 of the Government Code, or changes the
4 definition of a crime within the meaning of Section 6 of Article
5 XIII B of the California Constitution.

6 SEC. 87. Any section of any act enacted by the Legislature
7 during the 2006 calendar year that takes effect on or before
8 January 1, 2007, and that amends, amends and renumbers, adds,
9 repeals and adds, or repeals a section that is amended, amended
10 and renumbered, added, repealed and added, or repealed by this
11 act, shall prevail over this act, whether that act is enacted prior to,
12 or subsequent to, the enactment of this act. The repeal, or repeal
13 and addition, of any article, chapter, part, title, or division of any
14 code by this act shall not become operative if any section of any
15 other act that is enacted by the Legislature during the 2006
16 calendar year and takes effect on or before January 1, 2007,
17 amends, amends and renumbers, adds, repeals and adds, or
18 repeals any section contained in that article, chapter, part, title, or
19 division.

20

21

22 CORRECTIONS: _____

23 Text - Pages 82, 86 and 105.

24 _____

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